Lufthansa
Tightening seatbelts for a bumpy ride
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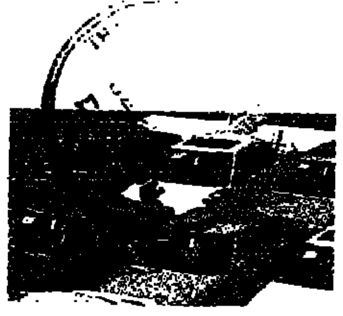

Japan
Will the economic package work?
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NEWSPAPER of THE YEAR

FINANCIAL TIMES

Tuesday September 1 1992 EUROPE'S BUSINESS NEWSPAPER D8523A

Action by UN urged on Serbs' 'ethnic cleansing'

Immediate and concerted international action is needed to curb "massive and grave violations of human rights" in Bosnia-Hercegovina and surrounding regions, the UN human rights investigator for the former Yugoslavia said.
Tadeusz Mazowiecki, a former Polish prime minister, says such violations arise mainly from the "ethnic cleansing" policy operated by Serbs in parts of Bosnia and Croatia. Page 14; Panic faces confidence vote, Page 4; Editorial Comment, Page 12

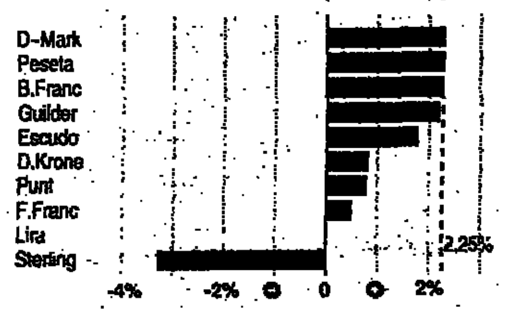
Canada's constitutional shake-up: Brian Mulroney, the prime minister, is expected to call a national referendum shortly, in the hope of speeding ratification of sweeping proposals for a new national-unity constitution. Page 14

Collor defiant: Embattled Brazilian president Fernando Collor pleaded his innocence of massive corruption charges and said he would continue to resist all pressure to resign. Page 14

ICL headway on EC research: ICL, the UK-based computer manufacturer, has overcome the sensitive issue of its Japanese ownership to win important EC research contracts, dealing mainly with development of "intelligent" computers. Page 14

European Monetary system: After the most dramatic week in the European Monetary System since 1987, the D-Mark is at the top of the currency grid of the exchange rate mechanism. Normally, the D-Mark, the hardest in Europe, should be around the middle of the grid so the monetary policies and exchange rates of other countries can be adjusted around it. At the top, it is straining against all currencies, pushing three of them – the lira, sterling and the French franc – towards their ERM floors. Currencies, Page 31

EMS: Grid August 28, 1992



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling, the Spanish peseta and the Portuguese escudo operate with 6 per cent fluctuation bands.

Skanska suspends top executive: Scandinavia's biggest construction and property company accused a senior executive of foreign exchange speculation, estimated to have lost the company more than SKr500m ($97m). Page 15

UK pensions fund row: Two UK companies have come under fire for their handling of pension fund surpluses. The question of who owns such surpluses has become increasingly contentious since the Robert Maxwell scandal. Page 15

German riots: German politicians held an emergency meeting to discuss rightwing violence in the east that has lasted for over a week and included the bombing of a Holocaust memorial.

Russian troops to quit: Russia is prepared to withdraw all its 130,000 troops from the three Baltic states next year, a senior foreign ministry official said.

Iraq UN inspections: UN weapons inspectors returned to Iraq stressing that the imposition last week by the US, UK and France of an air exclusion over southern Iraq would not affect their work. Meanwhile, Iraq's ruling Baath party appealed for international support against the no-fly zone. Page 4

Truce fails: Troops and rebels clashed for the second successive day in Georgia, preventing a ceasefire from coming into force.

Iraqi Kurds pledge: Kurdish leaders promised Turkey they would not let separatist Turkish Kurds use the area they control as a springboard for cross-border raids. Rebel Turkish Kurds killed seven soldiers in the south-east, a day after a battle near the Iranian border in which 10 soldiers and 43 rebels were killed.

Home-help's reprieve: A Swedish male au-pair (home-help) threatened with deportation from the UK because he is not a woman was given a last-minute reprieve.

STOCK MARKET INDICES

Nikkei	18,061.12	(+90.33)
New York lunchtime:		
Dow Jones Ind Ave	3,267.87	(-0.54)
S&P Composite	414.63	(-0.21)

US LUNCHTIME RATES

Federal Funds	3½%
3-mo Treas Bills: Yld	3.229%
Long Bond	97⅞
Yield	7.425%

Gold

New York Comex (Sep)	$342.7	(339.9)

STERLING

New York lunchtime:	
$	1.9895

DOLLAR

New York lunchtime:	
DM	1.4025
FFr	4.7815
SFr	1.24785
Y	123.005

Tokyo close: Y 123.42

London markets closed

Austria	Sch30	Hungary	Ft162	Malta	Lm0.59	S.Arabia	SR9.00
Bahrain	Din1.250	Iceland	IKr180	Morocco	MDh15	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Bulgaria	Lev.25	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Cyprus	C£1.00	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Czech	Kcs35	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Denmark	DKr14	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht60
Egypt	E£3.50	Korea	Won 2500	Philippines	Peso45	Tunisia	Din1.250
Finland	FM10	Kuwait	Fils 600	Poland	Zl 18,000	Turkey	L6000
France	FFr8.50	Lebanon	US$1.25	Portugal	Esc190	UAE	Dh10.00
Germany	DM3.30	Lux	LFr60	Qatar	QR12.00		
Greece	Dr250						

Japan takes step towards bailout of banking system

By Steven Butler in Tokyo

THE Japanese government took an important step towards a possible bail-out of the nation's troubled banking industry yesterday in a further measure to bolster the economy.

Mr Kiichi Miyazawa, the prime minister, said the government was ready to provide public funds to help banks liquidate non-performing loans. This follows the Y10,700bn ($86bn) emergency spending package announced last Friday aimed at rescuing the country's financial system.

Although schemes to support the banking system have been widely discussed during the past two weeks, Mr Miyazawa is the first senior government official to endorse the idea of using public money to support such a plan.

Government backing for a bank bail-out promises to be highly controversial, with newspapers and magazines already questioning why taxpayers should foot the bill for the imprudence and greed of the nation's banks.

"If the problem will cause instability in the nation's financial system, neither the government nor the Bank of Japan can afford to remain idle," Mr Miyazawa said.

In addition to fears of instability, Mr Miyazawa expressed concern that the accumulation of bad debt had reduced the banks' lending capacity and contributed to economic slowdown.

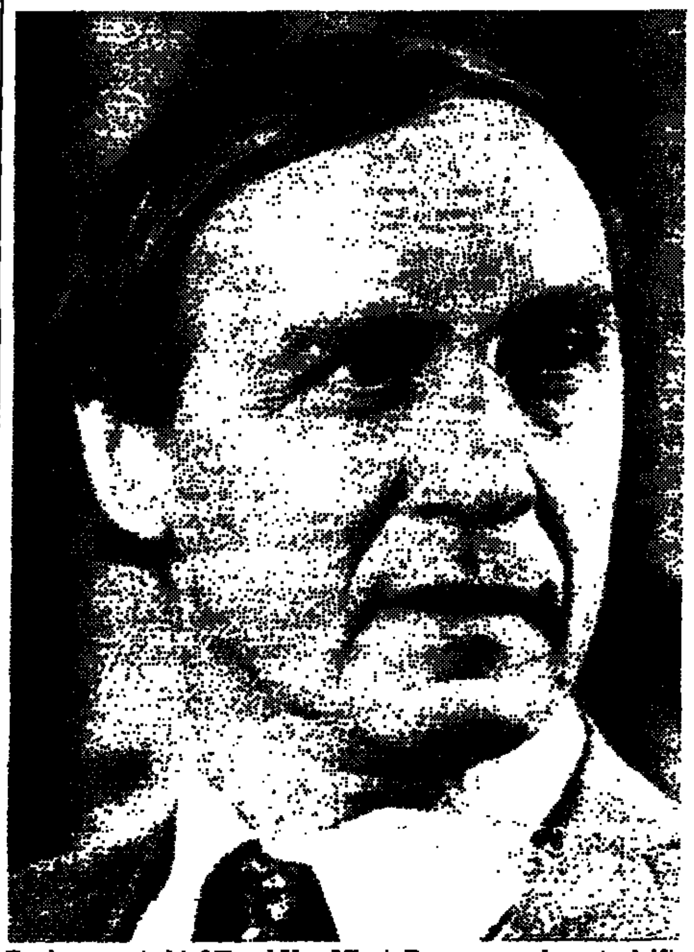
In a scheme likened to the Resolution Trust Corporation in the US, the banking industry has been drawing up plans to form a corporation to purchase bad loans or land held as collateral for bad loans from the banks. Analysts estimate that loans on which no interest is being paid currently totals between Y25,000bn and Y30,000bn. The government would have to overcome substantial practical difficulties to make the scheme work. It remains unclear how any corporation to purchase land would be owned or managed, how land would be priced, or which banks would be eligible to sell land to the scheme. Conflicts of interest among banks also promises to be extremely complex.

The scheme would make little sense unless the government supported it with substantial tax incentives or subsidised loans.

Fear of a possible collapse in the banking industry was one factor behind a plunge in the stock market two weeks ago to a six-year low. The market was turned around, however, by Friday's measures and by further evidence that the government would step in to support the financial system.

Mr Tsutomu Hata, finance minister, said on Sunday that his ministry was preparing plans for a more complete disclosure of non-performing bank loans. One factor undermining confidence in the banking system has been the lack of credible information about the extent of the bad-loan problem.

Commission president Delors threatens to resign if Maastricht treaty process fails



Environment chief Karel Van Miert: Europe may be cut adrift

EC officials warn French of dangers in voting No

By Lionel Barber in Brussels and William Dawkins in Paris

SENIOR European Community officials – unnerved by growing opposition in France to the Maastricht treaty – are warning that Europe's stability is at stake in the referendum on September 20.

Mr Karel Van Miert, the Belgian commissioner in charge of the environment, said yesterday that rejection of the treaty would cut Europe adrift from its only real anchor, the Community.

He joined Sir Leon Brittan, the UK's senior commissioner who runs competition policy, with a warning that a French "Non" would also undermine the single market, due to come into effect on January 1.

Springing to the defence of a French government which has so far run a subdued pro-treaty campaign, Mr Jacques Delors, Commission president, said on Sunday while campaigning in France that he would resign if Maastricht fell. Mr Delors, like President François Mitterrand of France, has staked his reputation on the successful outcome of Maastricht.

Adopting a more vigorous tone yesterday, Mr Michel Sapin, French finance minister, warned that a vote against the treaty would bring a halt to fresh investment across Europe, higher interest rates and an end to European hopes of creating a currency to rival the dollar.

"Instead of selling our Airbuses in dollars, we will sell them in Ecus. Today we exercise a limited sovereignty. Tomorrow, with others, we will have full sovereignty," he told a Socialist party summer school.

Recent polls showing a narrow majority against Maastricht have forced French government ministers and Brussels officials to face up to the possibility of French rejection, and its impact on international financial markets.

When Danish voters turned down Maastricht in June, EC ministers hoped to salvage the treaty through a resounding French endorsement. A "no" vote in France, one of the driving forces towards European integration, was considered unthinkable.

An opinion poll yesterday showed a margin of 53 per cent in favour to 47 per cent against. Six opinion polls last week predicted a close vote on September 20. Three showed the "no" vote winning by a margin of up to 53-47 and three others showed the "yes" ahead by up to 52-48.

Mr Sapin's remarks reflect the government's alarm at growing opposition to the European union in polls. The anti-Maastricht campaign has been aggressive, and has often played on domestic rather than European issues, attracting protest votes against the political establishment, especially the ruling Socialists.

Mr Pierre Bérégovoy, the prime minister, told the conference that the recent polls were "full of danger".

He added: "Our efforts of the past 40 years in favour of a reunited and pacified Europe risk being annihilated by the convergence of conservatism and fear."

Mr Jean-Louis Bianco, transport minister, warned on radio that the European monetary system would "explode" if the French electorate turned down the Maastricht treaty.

The surge in French opposition to the treaty has prompted Commission members – as well as European leaders ranging from Mr Helmut Kohl, the German chancellor, to Mr Felipe Gonzalez, the Spanish prime minister – to intervene in the campaign. Mr John Major has so far held back.

Mr Van Miert is only the latest senior EC official to argue that a "no" vote is not – as its proponents suggest – a vote for the status quo. "You can't say yes to Europe and no to Maastricht," he said, adding: "In life, as in history, there is sometimes only one chance."

Details, Page 2

No respite for pound and dollar as ERM strains show

By Daniel Green, Peter Marsh and Alison Smith in London and Haig Simonian in Milan

STERLING and the dollar remained under pressure yesterday in thin holiday trading, as strains in the European exchange rate mechanism showed few signs of easing.

The Italian lira recovered slightly on foreign exchange markets, buoyed by a meeting between the French and Italian prime ministers which could presage the start of a Franco-Italian effort to persuade Germany to cut its interest rates.

In Britain, Mr Gordon Brown, opposition finance spokesman, called on the UK government to urge the Bundesbank to signal an interest rate cut when it meets on Thursday. This might stave off pressure on some of the weak European currencies, and with it the possibility of increases in borrowing rates in nations such as Britain, France and Italy.

Both the dollar and the pound remained little changed against the D-Mark, while the Belgian central bank increased its seven-day advances interest rate from 9.6 per cent to 9.7 per cent to bolster the value of the Belgian franc relative to the German currency.

Upward pressure on the D-Mark yesterday was limited by Friday's European Community statement ruling out an ERM realignment.

Some of the weaker ERM currencies, including the pound, Italian lira and French franc, may encounter fresh selling pressure today, when European foreign-exchange trading returns to normal after yesterday's bank holiday in Britain. This depressed European trading volumes to about one third of their customary levels.

Just after the close of European trading last night, the dollar was quoted against the D-Mark at DM1.4010, nearly 1 pfennig down on Friday night's close and brushing its all-time low. The pound held at DM2.7885, little changed on Friday night, and roughly 1 pfennig above its D2.778 ERM floor. Against the dollar the pound was quoted at $1.9907, barely changed.

The lira was quoted last night at L763.75 to the D-Mark, up from the close of L765.7 on Friday, when at one point it dipped below its ERM floor of L765.4 to the D-Mark.

Bundesbank warns Bonn on federal debt, Page 2
Currencies, Page 31

Lufthansa to cut 6,000 jobs as part of recovery package

By Andrew Fisher in Frankfurt

LUFTHANSA, the German national airline which has sunk deeper into the red in 1992, plans to shed 6,000 jobs in the next two years as part of a programme aimed at annual cost savings of around DM1bn ($710m).

The airline, 51 per cent state-owned, is due to announce the job cuts today, along with a package of other measures such as a slimming down of its route network and fleet reductions. Unions signalled their broad acceptance last night after prolonged discussions.

"We are going through a difficult time, the most difficult in Lufthansa's history," Mr Jürgen Weber, chief executive, said.

The group has already begun to trim operations this year – capacity on European routes this summer is 11 per cent less than planned – after falling into the red in 1991.

"But the present situation and the developments of recent weeks have shown these measures are not enough to improve operating results in the medium term," Mr Weber added.

He said Lufthansa expected an operating loss of DM1.2bn this year, after one of DM800m in 1991. This excludes non-airline activities and aircraft sales. Last year's net loss was DM426m against a profit of DM15m.

The airline has already announced a first-half pre-tax loss of DM542m compared with DM331m a year ago.

Its problems stem mainly from high labour costs compared with rival airlines, the steep rise in domestic airport and traffic control fees, stiff competition on the North Atlantic route and the weakness of the world economy.

Mr Weber said the employment cuts of 3,000 people in each of the next two years would come on top of this year's near 2,000 reduction.

The airline employs about 50,000 people, with 60,000 in the whole group, which includes the Condor charter airline.

Mr Weber said the cuts would be especially deep in administration. Last night's union deal, including postponement of pay rises for a year and more flexible pay structures, will save the airline about DM500m a year.

Although Lufthansa will rely on voluntary departures and early retirements as far as possible, Mr Weber said there would be redundancies.

Lufthansa's recovery package was linked to the successful outcome of talks with its two main unions. The DAG white collar union initially offered wage reductions and longer working hours, while the ÖTV public sector union was more reluctant to make concessions.

The ÖTV was adamant that Lufthansa's job protection clause, applying after 15 years service, must remain. But Mr Weber said this was one of the "shackles" binding Lufthansa. The other was the high cost of pension provisions under Lufthansa's nationalised status. These would cost DM3.5bn to continue if the airline were privatised, as the government plans.

Mr Weber did not comment on the timing of privatisation, but implied that the airline would have to put its own house in order first.

Seatbelts fastened for a bumpy ride, Page 15

CONTENTS

Industry chief resigns after rift with Kohl

By Christopher Parkes in Frankfurt

MR HEINRICH Weiss, president of the Federation of German Industry, the BDI, resigned in a storm of controversy yesterday after less than two years in office.

Mr Weiss, 50, had been under fire for some months because of his abrasive manner and go-it-alone leadership style. However, opponents said his fatal offence was to damage industry's relationship with Chancellor Helmut Kohl and other leading politicians.

He made little attempt to hide his feelings about Mr Kohl's lack of interest in economics and business affairs – a characteristic which also irritated Mr Karl Otto Pöhl, former president of the Bundesbank.

The federation's leader is the main spokesman for 80,000 companies from all sectors, grouped in 34 different industry associations.

His departure, at a time of rising economic gloom, marks an attempt by the leadership of German industry to rebuild intra-industry consensus and restore relations with Bonn.

He will be replaced temporarily by Mr Tyll Necker, currently one of eight BDI vice-presidents, who preceded Mr Weiss in the top job.

Grass-roots members have complained that its interests have been neglected while those of industrial giants such as Daimler-Benz have taken precedence.

Pay policy has become a particularly sore point. Smaller companies complain that large groups have signed generous pay deals and then passed on their increased wage costs to their suppliers.

Mr Weiss, who is also chairman of SMS Schloemann-Siemag, a Düsseldorf engineering group, said yesterday that he was "disappointed".

He had tried to build the BDI into an effective service organisation to help German industry with new challenges in the European Community, the former German Democratic Republic and world markets.

But he had found little support, and members had been unwilling to pay higher contributions, he complained.

Mr Weiss's resignation followed his vain attempt just over a week ago to persuade his vice-presidential colleagues to sack Mr Ludolf-Georg von Wartenberg, the BDI's managing director.

Opponents said Mr Weiss's constant attacks on government economic policy, and particularly on the chancellor, had "blocked the approaches to Bonn". The BDI was no longer welcome in Mr Kohl's office, they added, while the federation had a long tradition of close and comfortable relations with previous governments, including the Social Democrats.

Weiss: go-it-alone leadership style

Key dates in the September run-up to the French referendum

- **3** Mitterrand defends pro-Maastricht policy in national television debate. Bundesbank council meets.
- **4-6** European Community economic and finance ministers meet, Bath, England.
- **7** France launches official television and radio broadcasting campaigns on referendum.
- **12-13** European Community foreign ministers meet, Hertfordshire, England.
- **17** Bundesbank council meets.
- **20** France goes to the polls.

Bundesbank warns Bonn on federal debt

By Christopher Parkes in Frankfurt

IF THE German government and wage negotiators fail to control federal debt and pay increases, the Bundesbank's clamp on monetary policy will achieve little in the long run, Mr Otmar Issing, a member of the central bank's policy-making council said at the weekend.

Rising government debt would sooner or later lead to higher taxation. This would push up prices and inflation, he told a symposium in Jackson Hole, Wyoming, at the weekend.

Speaking at the end of a week of turmoil in world money markets and widespread criticism of the Frankfurt policy-makers – notably from the US – Mr Issing presented a stout defence of the bank's policy and independence.

"A lastingly high rate of economic growth cannot be achieved through large budget deficits and a passive monetary policy which tries to keep central bank interest rates low," he said.

Democratic fiscal policies, driven by political processes, had a tendency to generate excessive government debt. There was a need for the central bank to provide a counterweight: to try "to contribute to a low and sustainable level of government debt, as part of its stability mandate".

Although Mr Issing did not name either the Bundesbank or the German government in his speech, his aim was unmistakably to stiffen the resolve of the German Finance Ministry. He made only passing references to the dangers of wage inflation, hitherto the prime concern of the Bundesbank.

The ministry, run by Mr Theo Waigel, has promised strict budgetary controls and reduced subsidies.

The target is an average 2.5 per cent nominal growth in federal spending until the end of 1995. He, in turn, has also asked the largely independent state governments to limit their expenditure growth to 3 per cent.

> 'A lastingly high rate of economic growth cannot be achieved through large budget deficits and a passive monetary policy which tries to keep central bank interest rates low'

Firm projects put forward so far by Bonn, including a scheme to save DM11bn (£3.9bn) on the health service this year and a DM5bn cut in the federal labour office's subsidy, have run into powerful opposition from the medical profession and drugs makers as well as civil servants in the labour office.

Meanwhile, a handful of state governments have said they need to reduce administrative payrolls, while others are examining the possibility of raising further revenue through increased taxes on drinks, entertainment, tourism and even prostitution.

A bank policy which was aimed at promoting capital formation and growth must be highly credible, reliable and predictable, Mr Issing said.

"Attempted deception and stop-go policies aimed at short-term demand effects are the best way of undermining investors' and savers' confidence in monetary policy, and hence also in economic policy as a whole," he said. "The capital which the central bank possesses in the form of a high credibility is thus... uselessly put at risk."

If the Bundesbank eased its controls it would amount to an announcement that, in future, monetary policy would be geared primarily to financing the government budget and, ultimately, inflationary. That would be "a signal for a massive run on public budgets, which politicians... would find difficult not to become caught up in".

A strictly anti-inflationary policy was the best way to maintain stability and restrain "distribution struggles and excessive budget policies. In the absence of a consensus among all those responsible, however, the central bank, too, will ultimately be able to achieve little," he concluded.

Economic indicators, Page 4

Danes rule out short cuts to treaty accord

Uffe Ellemann-Jensen: considered resigning

By David Marsh in Copenhagen

DENMARK is calling on the rest of the European Community to go ahead with ratification of the Maastricht treaty this autumn without waiting for any breakthrough in the confusion caused by its No vote three months ago.

Mr Uffe Ellemann-Jensen, the Danish foreign minister, said the EC could not expect any "smart moves" or "short cuts" to resolve the imbroglio sparked by the Danish referendum on June 2.

Britain says it will not resubmit the Maastricht legislation to parliament until Denmark has come up with proposals to make the European union plan more palatable to the Danish electorate. However, Mr Ellemann-Jensen told the Financial Times he expected Britain to continue with the EC plan, agreed in June, to proceed with ratification.

Even if France says Yes to the treaty in its referendum on September 20, the Danish government believes the question of Danish participation may take until next summer to be resolved.

This indicates that the fate of the treaty will be put on ice at least until that date, as it cannot come into force until all 12 EC members have ratified it.

"Those who expect a second Danish referendum before the end of the year can forget it," Mr Ellemann-Jensen said. Calling the Danish rejection "a crisis for our political system", he emphasised the care the government would take to try to find a solution acceptable both to the electorate and to Denmark's EC partners.

He hoped that a "rough framework" might be worked out at the EC summit in Edinburgh in early December. Any formula, however, would have to be put to a second vote by the Danish people next year.

He declined to give firm ideas on how the treaty text could be refashioned to overcome Danish objections.

The white paper on Maastricht promised by the Danes for the first half of October is unlikely to contain definite proposals for a way out of the impasse. It will mainly be a list of legal problems created for Denmark and its partners by the possibility of a separate Danish path on Europe.

Mr Ellemann-Jensen, who campaigned strongly for the treaty three months ago, said he felt "very humble" about its rejection and considered, "for 10 seconds", resigning.

Among the options being considered in Copenhagen are adding protocols to the treaty to define more closely how EC decision-making can be brought closer to the people – the so-called subsidiarity principle. Denmark also favours building into the treaty provisions limiting Denmark's participation in common European defence. This was a particular stumbling block with Danish voters.

Mr Ellemann-Jensen said the latest opinion polls had shown that, although opposition to Maastricht was even greater than in June, Danish support for the EC and Nato was as strong as ever.

French pollsters shift into top gear

By Alice Rawsthorn in Paris

RARELY a day has gone by in France over the past fortnight without publication of an opinion poll on next month's crucial referendum on the Maastricht treaty.

Opinion polls, or *sondages*, are a familiar feature of French life. The French are probably polled more regularly and thoroughly – on everything from their sexual preferences to their holidaying habits – than any other nation. This summer, as the threat of a negative referendum result has grown, the pollsters have been busier than ever.

Newspapers and television news programmes are filled with political pundits poring over the polls; the Paris stock market has fluctuated so wildly on rumours and counter-rumours of the next set of results that the market authorities have issued a stern warning about the dangers of *sondage* speculation.

Polls are not only more prolific in France than elsewhere, they are also taken more seriously. "This is the land of Descartes," said Mr Pierre Weill of Sofres, one of the largest polling groups, refering to the 17th century mathematician. "Statistics are at the heart of France's intellectual tradition."

Political polling has a reasonably high level of accuracy. BVA, one of the sector's leaders, claims a margin of error of less than 3 per cent. While there are occasional mistakes, the French have developed sophisticated sampling techniques using the "quota" method whereby the views of a representative cross-section of the population are canvassed.

The success rate raises the question of whether polls actually influence public opinion. Mr Weill suspects that, while many committed voters may not allow them to affect their decisions, the polls probably persuade uncommitted voters.

This could prove crucial over the next few days, when new polls will show how the French have responded to last week's news that, for the first time, the anti-Maastricht faction could command a majority in the referendum.

The ins and outs of realignment

☐ **Why all the talk about a realignment of the European monetary system's exchange rate mechanism?**
In the past few weeks investors have switched funds out of dollars and into D-Marks, weakening the values against the D-Mark of many of the other nine ERM currencies. One way to ease the strain would be to revalue upwards the D-Mark in the grid, devaluing the weaker currencies.

☐ **What's behind the D-Mark's strength?**
The German Bundesbank has pushed up its short-term interest rates to their highest levels since the 1930s, to damp unification-induced inflation. The US's interest rates are extremely low, because it wants to help economic recovery. The big difference between German and US borrowing rates has given investors every reason to buy D-Marks.

☐ **What about the September 20 referendum in France on European economic and monetary union?**
If the French vote No, as seems possible, the current timetable for Emu will be scuppered. If that happens there will be less external pressure on European Community countries to keep government borrowing and inflation low. In that case, expect large selling of the weaker ERM currencies, including the Spanish peseta, the Portuguese escudo, the Italian lira and sterling.

☐ **Is a realignment really on the cards?**
That depends on your vantage point. The EC finance ministers last Friday ruled out a realignment. Germany is not seeking a D-Mark revaluation and the other 11 ministers do not want to devalue against the D-Mark, because they feel this would weaken their countries' long-term effort against inflation.

☐ **So is this the end of the story?**
Possibly not. The last time, back in 1987, that the strong D-Mark exerted such severe strains in the ERM on the other currencies, the pressure for a realignment became irresistible.

☐ **What happened?**
On January 12 1987 the EC was forced to recognise that large central bank intervention to depress the D-Mark, chiefly against the weak French franc, would not work. Politicians arranged a realignment in which the D-Mark, the Belgian franc and the guilder were all revalued upwards against the other currencies. Britain was not involved because it joined the ERM only in 1990.

☐ **Right now, are there any other factors to worry about?**
In several European countries – particularly France, Italy and Britain – economic activity is weak, yet interest rates remain high because of the tight credit policies of the Bundesbank. According to some economists a devaluation of these countries' currencies might allow them to cut interest rates to spur growth.

☐ **So why doesn't Europe just go ahead and realign?**
Governments are worried that any move to devalue would be punished by the markets. Investors might think that, having devalued once, these countries might do it again. As a result, interest rates might have to go up, rather than down, because of the extra "risk premium" that investors demand for holding specific currencies.

☐ **What's likely to happen?**
EC governments will do all in their power to keep talk of realignment out of the markets until September 20, when the outcome of the French referendum will be known. If further pressures build up in the ERM in the meantime, expect large central bank intervention to sell D-Marks for other currencies and hold the line.

☐ **What's the Bundesbank's position?**
The German central bank would not be averse to a realignment, as a stronger D-Mark would strengthen its anti-inflation drive. It might be in a position to press Chancellor Helmut Kohl to accept the case for a revalued D-Mark on the grounds that the Bundesbank might then be able to cut interest rates more quickly.

☐ **What difference is there between now and 1987?**
Then, France wanted Germany to revalue its currency against the French franc, because the franc was suffering so much selling pressure. Now, France firmly is against any change in the franc's parity against the D-Mark because it has made good progress at pushing down inflation to German levels.

☐ **What about the other countries?**
If the markets did force a realignment, there is a strong chance of a "two-speed" ERM developing. Countries such as Belgium, the Netherlands and Denmark – whose currencies are regarded in the markets as strong and which have generally kept their values against the D-Mark – might be prepared to accept a realignment, so long as their currencies were moved up with the German currency.

☐ **Where would Britain stand?**
Along with Italy, Spain and Portugal, Britain might have to devalue against all the other countries. However, one way for the UK to avoid losing face might be for it to move at the same time to a narrow 2.25 per cent band instead of its current 6 per cent band, thus helping to improve confidence in sterling on the markets.

☐ **And France?**
Expect some creative economics. France might be able to persuade Germany that its currency should be regarded as "strong" – and so should have the same kind of upward revaluation as the D-Mark in any realignment – even though the French franc itself has recently been under pressure.

☐ **What could help the EC ministers out of their plight?**
A big Yes vote by the French would reduce the ERM tensions. If that fails to happen, watch out for more currency fireworks.

Peter Marsh

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Peres says Palestinians must limit demands

By Hugh Carnegy in Jerusalem

MR Shimon Peres, Israel's foreign minister, yesterday criticised the Palestinian approach to Middle East peace talks, saying there would be no progress unless they accepted limits to the scope of self-government in the occupied West Bank and Gaza Strip.

Speaking shortly before the two sides opened their second week of negotiations in Washington, Mr Peres said the Palestinians were seeking sovereign powers while the agreed structure of the talks envisaged only limited Palestinian self-rule during an interim stage. The issue of sovereignty is not due to be discussed for at least three years.

"They have to come to terms with reality," Mr Peres said. "We are not talking about independence. We are talking about self-government in the territories for five years. This should be a sort of trial period which will enable all of us...time to reach a permanent solution. The attempt to make out of an interim self-government proposal a permanent solution is in vain," he told the Financial Times.

He added that the self-government proposals tabled by Israel last week – and immediately attacked as inadequate by the Palestine Liberation Organisation – represented "more of a risk" for Israel than for the Palestinians.

The foreign minister, one of the most "dovish" members of Prime Minister Yitzhak Rabin's government, was echoing frustration among ministers that their peace overtures since taking office in July, such as curbing Jewish settlements in the occupied territories, have elicited little response from the Arab side.

Yesterday, the authorities began releasing 600 of the thousands of Palestinian prisoners held by Israel as part of a number of goodwill gestures announced to coincide with the Washington talks. The army also opened up some of the thousands of streets in West Bank and Gazan towns previously sealed in retaliation against the Palestinian *intifada*, or uprising.

Palestinians complained that the Israeli proposals contained nothing about a withdrawal of Israeli troops and offered no real control over their own land during the interim stage. They want to elect a governing authority with full legislative powers. Israel has conceded elections for a council covering the West Bank and Gaza, but restrict its powers to that of a local authority.

Mr Peres said Palestinians would be allowed to run "something like 15 domains" of government, with the exception of security, foreign affairs and Jewish settlements. "It is obviously a real departure from the present situation. But they don't measure how far it is from the present situation, but how close it is to their wish to achieve something else."

● The US and Germany together attracted more Jewish immigrants from the former Soviet Union than Israel in the first half of the year, Israeli officials admitted yesterday.

Israeli soldiers watch as a bulldozer removes a barricade the Israelis had put up to seal Bethlehem's market-place some years ago

Liberals lose seat in Hong Kong

By Simon Davies in Hong Kong

HONG KONG'S liberals suffered a setback on Sunday when Mr Martin Lee's United Democratic (UDHK) party lost its New Territories West Legislative Council seat to a pro-China independent candidate in a by-election.

This was the first liberal seat to fall since a sweeping victory in last year's direct elections.

A low turn-out – despite a tight contest – raised some concern over Hong Kong's appetite for its new slice of democracy. Only 32 per cent of the eligible voters turned out, compared with the disappointing 39 per cent average in last year's elections.

Yesterday's winner Mr Tang Siu-tong, picked up 51 per cent of the vote. Mr Tang had shunned the support from Hong Kong's growing number of political parties, relying on grass roots backing from rural areas. By contrast, his United Democratic opponent Mr Albert Ho, was viewed as an outsider in the district.

The two men were fighting for the seat vacated by United Democrat Mr Stephen Ng, who died of leukaemia in June.

Mr Lee put a brave face on the loss. "We will take heed. We go away this morning with greater determination to be united both as a party and also with the other democratic groups."

Mr Chris Patten, Hong Kong's new governor, paid a visit to the New Territories on Sunday to watch Hong Kong politics in action and he gave further proof of his desire to speed up the democratic process in Hong Kong.

"I want to see our governing institutions and the participation of the public in the management of our affairs in Hong Kong more deeply rooted in the community," he said, after visiting the polling station.

At present, only 18 of the 60 seats on the Legislative Council are directly elected.

Arms inspectors return as allied jets patrol over Iraq

By Roger Matthews in Washington

UN WEAPONS inspectors returned to Iraq yesterday stressing that the imposition last week by the US, Britain and France of an air exclusion over the south of the country would not affect their work.

Aircraft from the US and Britain continued to patrol the area south of the 32nd parallel yesterday with no indication from the Baghdad regime that it was prepared to challenge the new allied restrictions. French Mirage 2000 jets are due to join the patrols today.

The so-called "no-fly" zone was imposed officially to protect the Shia population from intensified attacks by the regime of President Saddam Hussein, but some US officials concede that it is part of an overall strategy to topple the Iraqi leader.

These officials had expected the previous UN weapons team to challenge the Iraqi regime's refusal to permit inspections of government ministries, in defiance of Security Council resolutions. Reports from Washington had suggested that President Bush would have been prepared to order air strikes to ensure Iraqi compliance.

However, no request was made to search a government ministry and the weapons inspection team left Baghdad without incident.

Mr Maurizio Zifferero, the Italian who heads the new team, said on arrival in Baghdad yesterday that his policy was "not to be the cause of provocation".

He declined to say where the team would be carrying out its searches for more evidence of Iraqi weapons of mass destruction, but added: "If this visit is quiet and fruitful, it will be a success."

International criticism of the air exclusion continued yesterday with members of the Non-Aligned Movement, meeting in Jakarta, joining the many Arab governments which have voiced concern that Iraq could be partitioned.

Mr Abdullah Badawi, the foreign minister of Malaysia, told the meeting that the zone was a "flagrant contravention of all accepted international norms and practices."

Hard issues at non-aligned talks

William Keeling reports from Jakarta

LEADERS of the Non-Aligned Movement (NAM) today begin a six-day summit in Jakarta which, following the end of the cold war, finds the founding principle of the organisation to be in question.

Moreover, the delegates – including about 60 heads of state – will also find themselves caught between the movement's traditional determination to achieve consensus and the increasing difficulty of disregarding sensitive issues of concern to its 108 members.

As pressing and dividing as any issue is the former Yugoslavia, which chaired the movement until Indonesia assumed the post last Friday. While a delegation from Serbia and Montenegro will attend claiming to represent Yugoslavia, there will also be seats for separate delegations from Bosnia-Hercegovina, Croatia and Slovenia.

Some NAM members, led by Malaysia, Saudi Arabia and Iran have condemned Belgrade for the plight of the Moslems in Bosnia-Hercegovina while Mr Haris Silajdzic, the Bosnian foreign minister, said that since the NAM was founded to "defend and help weak countries" then: "if it doesn't punish Yugoslavia...it has deviated from its original goal".

However, Mr Farouk Khadoumi, Palestine's foreign minister, argued that "The debate about the Yugoslav issue is a waste of time. Let the United Nations decide on the issues."

Foreign minsters discussed the issue acrimoniously over the weekend, but agreed only to postpone a decision on Yugoslavia's status until a further meeting in New York on September 15.

For critics of the NAM, originally founded by countries determined to promote foreign policies independent of the superpowers, such a decision was typical of the movement's weaknesses. "The movement strives to reach consensus on foreign policy, but to do so it often fails to address major world issues", said one western diplomat.

Where consensus is reached, moreover, the movement sometimes invites the charge of hypocrisy. For example, a proposed declaration on the protection of basic human rights is likely to be supported by the Yugoslav delegation and other unlikely proponents such as President Mobutu Sese Seko of Zaire.

One issue likely to attract consensus is the proposal to restructure the UN – of which NAM countries account for about two-thirds of the membership – and an expansion of the Security Council to limit the influence of the US.

Indonesia, the world's fourth most populous country, is also pushing for a new approach to the economic relationship between developing and industrialised nations. Many delegates to the summit have arrived warning that the marginalisation of developing countries has bred a feeling of humiliation which lies behind much of the world's armed conflict and terrorism.

President Suharto said recently the relationship between developing and industrialising nations "should not be haunted by an atmosphere of confrontation". He has stressed Indonesia's record – two decades of 6 per cent annual GDP growth - has been achieved with an open economic policy, even while arguing for the structure of international trade to be reformed.

Serbs' move could jeopardise Geneva peace conference

Panic faces confidence vote

By Laura Silber in Belgrade

THE political future of Yugoslav prime minister Milan Panic yesterday hung in the balance after a no-confidence vote was tabled in the federal parliament.

A vote of no confidence would jeopardise the continuation of United Nations/European Community-sponsored peace talks on the former Yugoslavia which start this week in Geneva. Such a vote would also strengthen the hand of Serbian nationalist extremists in the rump Yugoslavia.

A western diplomat yesterday said: "It is a question of whether it was just a warning shot across the bow or signals the end of Panic."

The motion followed a bitter public row between the Belgrade-born California businessman and Serbian President Slobodan Milosevic at the London conference last week.

The vote of no confidence was supported by 68 parliamentary deputies from the ruling Socialist party and its satellite Serbian Radical party, whose ultranationalist leader, Mr Vojislav Seselj, commands a paramilitary wing.

Known as Mr Milosevic's *favourite politician*, Mr Seselj yesterday said all 30 members of his party backed the motion. According to parliamentary rules, the no-confidence motion will be debated in three days. Parliament is dominated by supporters of Mr Milosevic since the opposition in May boycotted elections.

The deputies accused Mr Panic of going beyond his mandate at the London conference.

The Yugoslav prime minister had called for talks with ethnic Albanian leaders on the southern Serbian province of Kosovo.

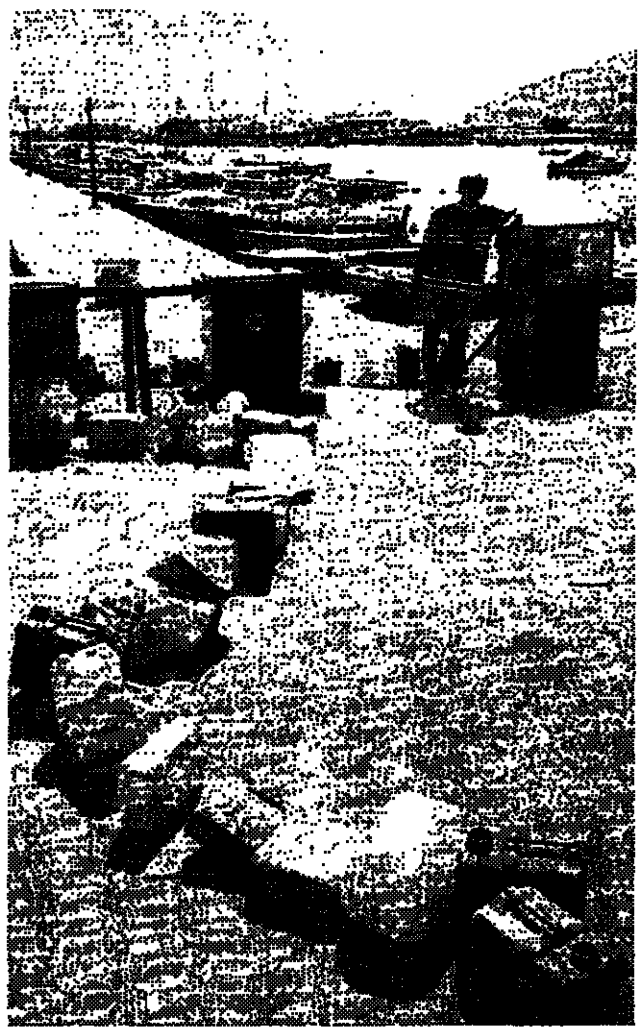
He also aroused the ire of Serbs by calling for the recognition of Croatia. He has pledged to end ethnic cleansing in Serbia, where non-Serbs make up a third of the 9.8m population.

A delegation of 200 Serbs from Kosovo yesterday demanded to see Mr Panic because of "his ambiguous position on the status of Kosovo", in what was clearly a co-ordinated attack. Mr Panic has vowed to lift United Nations sanctions and revive the collapsing economy in what is left of Yugoslavia, the truncated federation of Serbia and Montenegro. Deputies from Montenegro yesterday opposed the vote of no-confidence.

In Lisbon, Portuguese foreign secretary Joao de Deus Pinheiro warned that the Geneva conference could be the last chance for a settlement before the bloodshed forces the international community to intervene militarily.

Meanwhile, inflation since August last year was 7,608 per cent, according to Tanjug, the Belgrade-based news agency.

After a year of war with neighbouring Croatia and Bosnia, and sanctions, including an oil embargo, living standards have plummeted and August saw a month-on-month rise of 42.4 per cent.



A petrol queue in Budva, Montenegro: containers hold places in the line for their owners until petrol is delivered

Ukraine plans sell-off vouchers

By Chrystia Freeland in Kiev

UKRAINE yesterday said it would introduce a voucher scheme next week to allow all Ukrainian citizens to take part in a planned privatisation programme.

Mr Valentyn Symonenko, minister of the economy, said that by September 5 every Ukrainian would be allotted 30,000 roubles to be held in special bank accounts and valid only for the purchase of state property.

The government plans to gradually sell state property, beginning later in the autumn.

Although the mechanism is similar to a plan unveiled in Moscow last month, Mr Symonenko said there were fundamental differences between Kiev's and Moscow's economic strategies. "Immediate transfer to the market economy is unrealistic, as the Russian experience demonstrates," he said.

Mr Symonenko, a former Communist party boss from Odessa who was recently granted the authority to rule the economy by decree, also sought to smooth over differences between Ukraine and the International Monetary Fund which last month warned that unless Ukraine began to implement its paper reforms it would not receive a credit package.

"There are no global differences between what we are doing and what the IMF is suggesting," Mr Symonenko said. However, he said there were difference over its speed of reforms.

"We do not need radical shock therapy," Mr Symonenko said.

"Instead, we need slow, evolutionary reform."

He is due to present an economic reform package to parliament on September 16.

Mr Symonenko said his plan would focus on rationalising the huge state enterprises, which in his view could not be quickly privatised but in the current climate of administrative chaos were running amok.

Mr Symonenko is likely to be able to implement his economic plan because of the extensive powers given to him. His predecessor, Mr Volodymyr Landovoy, whose programme was widely praised by western experts, was unable to achieve practical results because he had no government support.

Mr Symonenko also cautioned against too hasty an introduction of the hryvnia, Ukraine's long-awaited separate currency, warning that if the new currency was introduced before the economy is stabilised, "it will just be paper".

Brussels shake-up likely when MacSharry quits

By David Gardner in Brussels and Tim Coone in Dublin

MR Ray MacSharry, the EC's Irish agriculture commissioner, has decided to step down when the current Commission's four-year term expires at the end of December, increasing the likelihood of a thorough shake-up in Brussels.

Naming his successor will be tricky for Dublin, where Mr Albert Reynolds' coalition government will be constrained by its one-seat majority as it searches for a commissioner who will wield comparable Irish influence.

Mr MacSharry's decision means three members of the 17-strong Commission are now certain to be replaced, but the number of departures could rise to 10. This could clear the way for a regrouping of functions, as well as a reshuffle of portfolios. Commission president Jacques Delors wants to streamline the Brussels executive, officials close to him say, but, like much else in the EC, such plans depend on the outcome of the French referendum on Maastricht.

Mr MacSharry, 54 and twice a finance minister under Mr Charles Haughey, was asked to stay on by Mr Reynolds. But on Saturday he announced he was retiring from public life altogether, as he has long insisted he would, despite constant speculation he wished to return to Irish politics and challenge Mr Reynolds for the premiership.

Mr MacSharry this May steered through the most radical overhaul of the Common Agricultural Policy in its 30 years.

Obstinate and canny, with thorough mastery of a complicated brief, Mac the Knife – as he was known in Ireland when he resolved a national debt crisis with draconian budget cuts – persuaded farm ministers of the 12 into accepting a package all of them had rejected as unthinkable.

His tactics also drew the US much closer to the EC position on farm subsidy cuts in the Uruguay Round world trade liberalisation negotiations, although a conclusion to the long-stalled round is now more likely under his successor.

Favourites to replace him in the Commission – though not in the same portfolio – are Ms Maire Geoghegan-Quinn, transport and communications minister, Mr Padraig Flynn, justice minister, and Mr Michael Woods, minister for the marine.

Ms Geoghegan-Quinn, 42, is the favourite. But the Fianna Fail-led coalition fears her Dail seat would be lost in a by-election, bringing down the government. Mr Reynolds already faces a rough autumn, as jobless totals mount, an abortion referendum approaches, and the public inquiry into government and party relations with the beef industry, which resumes this week, dredges up more controversy.

OBITUARY

Daniel Ludwig, the invisible billionaire

MR Daniel Ludwig, the reclusive shipowner and property developer who died of heart failure at his Manhattan apartment last Thursday, was, in many respects, an archetypal US billionaire of the Citizen Kane variety.

Although Mr Ludwig was regularly described in later life as one of the world's richest men and had interests ranging from hotels in the Caribbean to coal mines in Australia, his origins were fairly modest.

He was born in 1897, in the small port town of South Haven, on Lake Michigan, to a family closely linked to the shipping business.

Daniel Ludwig quit high school after eighth grade, and quickly followed this example. He persuaded his father to lend him $5,000, which was spent converting an old steamer into a barge. This became the first of a fleet of vessels which Ludwig used to ply wood and molasses up the shipping channels.

In 1921, he acquired his first ocean-going vessel, and by 1930 had moved into shipping oil.

In 1936 the foundations of his business empire were laid when he hit on a financing arrangement, whereby oil companies would charter tankers for future oil deliveries while he used the charters as collateral to borrow money to build the tankers.

By the end of the second world war he owned the nation's fifth largest tanker fleet. He leased a shipyard in Japan, and started to roll out supertankers.

By the 1960s Ludwig's business empire was becoming more diversified. At one stage, he bought up 4m acres of Brazilian rain forest and planted gmelina – a fast-growing tree, native to India – for pulp and lumber. He also added hotels, coal operations, and various financial interests – including investments in four thrifts now managed by the Resolution Trust Company.

He sold his Princess Hotel group to Mr Tiny Rowland between 1979 and 1981 for about $200m.

His personal life was equally complex. He divorced his first wife in 1937 after nine years of marriage, but refused to acknowledge her daughter as his own. He married again later that year, but the second marriage produced no children.

In Howard Hughes mode, Mr Ludwig refused to be photographed for 20 years, finally relenting in 1985. He always maintained that he could not care what the outside thought of him, although it has been suggested that he found it more convenient to conduct business away from prying eyes.

Despite this reclusiveness, Ludwig could not escape a reputation for being tight-fisted – he was reknowned for taking commercial flights and walking to work – and crusty.

He gave up talking to journalists in the 1960s, and a biography published in 1986 was appropriately titled The Invisible Billionaire.

Nikki Tait

Socialists upset by Craxi press campaign

By Haig Simonian in Milan

TENSIONS in Italy's Socialist party have continued to mount as more senior party members have objected to the campaign by the party newspaper Avanti! against the magistrates leading the political corruption investigation in Milan.

The Avanti! attacks, inspired by Socialist party leader Mr Bettino Craxi, have focused on Mr Antonio Di Pietro, the best known of the judges examining the scandal, in which numerous Socialist politicians have been implicated.

The attacks have caused difficulties for Mr Giuliano Amato and Mr Claudio Martelli, respectively Italy's premier and justice minister, senior members of the Socialist party. The two have been widely criticised for taking part in a party meeting in Rome last week, at which Mr Craxi discussed his objections to the Milan investigations. Both men said they were not present for that part of the meeting.

Separately, the inquiry is due to take a new turn this week, with the appearance today before magistrates of Mr Giuseppe Garofano, the deputy chairman of Ferruzzi Finanziaria, one of Italy's biggest private-sector holding companies. Mr Garofano, summoned to explain unspecified political donations, is expected to be one of a number of industrialists to be asked to testify before magistrates.

New strike threat at General Motors

TENSION between General Motors, the largest US car-maker, and the United Auto Workers union mounted yesterday after workers at a plant in Lordstown, Ohio, authorised strike action and talks failed to resolve a dispute over job security and sub-contracting, writes Nikki Tait from New York. Industrial action at a metal stamping facility in Lordstown has already shut down production there, forcing GM to close two car assembly plants. Late on Friday, UAW leaders at the second Lordstown plant, a smaller car assembly factory, authorised strike action within five days.

Gulf Air orders Airbuses

Airbus Industrie yesterday won an order worth almost $600m from Gulf Air, writes Daniel Green. Gulf Air is buying six Airbus A340s and is taking options on six more.

Norway's borrowing needs

Norway's borrowing requirement over the next four years could be as high as NKr80bn ($14.3bn) to finance a growing budget deficit, the central bank said yesterday, writes Karen Fossli in Oslo. Mr Kjell Storvik, deputy governor, said the state would extend one five-year and one seven-year benchmark bond, and would issue a big new 10-year benchmark bond in mid-October.

Lebanese PM nearly loses

Prime Minister Rashid al-Solh has narrowly escaped defeat in Lebanon's general election, in which Christians have refused to take part, Reuter reports from Beirut. His poor showing was attributed to public distrust of his government, which has struggled to control a collapsing economy.

Hungary expects recession to worsen

By Nicholas Denton in Budapest

HUNGARY'S recession is proving far deeper and more prolonged than expected, according to a new batch of gloomy official forecasts.

The National Bank of Hungary, the central bank, is now braced for a fall of 5 per cent in gross domestic product this year, a drastic revision of its original forecast of zero growth. Unemployment, currently just below 11 per cent, is set to rise to 17-20 per cent next year, a government report to parliament warns.

Expectation that output will continue to fall, after declines of 4 and 10.2 per cent in 1990 and 1991, is increasing pressure to stimulate the economy while at the same time depriving the government of the budgetary means to do so.

The government blames falling output on the wave of company failures triggered by this year's new bankruptcy act. Another unforeseen dampener on demand has been the rapid growth in personal savings, which rose to a ratio of 14.3 per cent of income last year.

The growth in savings and the banks' reluctance to lend has boosted liquidity and prompted a precipitate fall in interest rates. A three-month treasury bill auction last week yielded an average 16.55 per cent, down from 35 per cent a year ago.

This has led to hopes that lower interest rates will stimulate investment-led growth. The first tentative signs of that came last week with the announcement of a 3.9 per cent rise in industrial production in June from May.

The severity of the recession however is crippling the government's efforts to contain the budget deficit within limits demanded by the International Monetary Fund. Shortfalls in tax revenues and extra spending on unemployment threaten to push this year's budget deficit to Ft220bn £1.4bn ($2.8bn), up to 8 per cent of GDP.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	102.9
1986	105.7	101.0	6.9	98.0	108.1
1987	108.3	105.9	6.1	105.5	109.9
1988	112.3	111.6	5.4	106.1	114.2
1989	115.1	114.5	5.2	99.3	113.2
1990	115.4	115.7	5.4	84.5	109.1
1991	113.5	113.5	6.6	61.9	114.4
3rd qtr.1991	−1.5	−2.1	6.7	60.9	112.5
4th qtr.1991	−0.5	−0.5	6.9	59.1	114.4
1st qtr.1992	3.3	1.3	7.1	58.9	116.6
2nd qtr.1992		2.0	7.4	60.4	117.2
August 1991	−1.8	−2.3	6.7	60.6	112.1
September	−1.3	−2.0	6.7	60.9	112.5
October	−0.6	−1.4	6.6	58.4	112.9
November	−1.5	−0.2	6.8	59.1	113.6
December	0.5	0.2	7.0	59.8	114.4
January 1992	5.0	0.0	7.0	56.3	115.7
February	3.9	1.4	7.2	59.0	116.6
March	1.2	2.5	7.2	61.4	116.6
April	2.1	2.5	7.1	59.3	116.8
May	1.4	2.4	7.4	61.3	117.3
June		1.1	7.7	60.7	117.2
July		0.7			

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	96.6
1986	106.5	99.7	2.8	94.3	105.4
1987	113.8	103.1	2.9	108.3	115.4
1988	122.8	112.9	2.5	135.9	122.8
1989	132.8	119.9	2.2	147.0	126.4
1990	142.0	125.3	2.1	149.7	124.4
1991	145.0	128.1	2.1	144.1	123.1
3rd qtr.1991	1.0	1.2	2.1	141.6	124.3
4th qtr.1991	1.9	−1.6	2.1	140.3	123.1
1st qtr.1992	−0.8	−4.6	2.0	132.9	123.0
2nd qtr.1992		−6.2			
August 1991	4.5	0.2	2.1	137.5	124.0
September	−1.2	1.3	2.1	137.3	124.3
October	1.6	−1.8	2.1	143.5	124.1
November	4.1	−1.2	2.1	139.0	123.7
December	0.0	−1.8	2.1	138.3	123.1
January 1992	−0.2	−3.6	2.1	136.1	123.0
February	2.4	−4.6	2.0	132.5	122.9
March	−4.5	−5.6	2.0	130.2	123.0
April	−2.8	−6.0	2.0	129.8	123.7
May		−8.9	2.1	121.2	123.1
June		−3.8			
July		−6.2			

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	104.4
1986	103.4	102.2	6.4	136.4	104.2
1987	107.4	102.5	6.2	149.4	105.3
1988	110.5	106.2	6.2	164.7	111.5
1989	114.1	111.4	5.6	218.9	114.4
1990	123.5	117.2	4.9	261.5	115.2
1991	130.4	120.8	4.3	270.9	112.4
3rd qtr.1991	0.2	1.9	4.4	276.6	113.4
4th qtr.1991	1.1	0.1	4.3	265.0	112.6
1st qtr.1992	−2.6	1.3	4.3	279.3	112.5
2nd qtr.1992		−1.5		274.4	112.2
August 1991	−2.4	1.3	4.4	279.1	113.7
September	−0.2	0.7	4.3	272.5	113.4
October	3.0	0.6	4.4	264.8	113.0
November	−0.4	1.7	4.3	262.4	112.6
December	0.6	−2.1	4.3	266.5	112.6
January 1992	−1.3	0.2	4.3	273.8	112.5
February	−2.1	3.4	4.3	283.6	112.5
March	−4.2	0.2	4.4	282.8	112.5
April	−2.4	−0.2	4.5	279.3	112.1
May	−4.3	0.3	4.5	274.4	111.9
June	−6.8	−4.5		270.3	112.2
July				266.3	

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.2	100.0	101.9
1986	102.4	101.1	10.4	107.2	109.0
1987	104.5	103.1	10.5	117.6	108.1
1988	107.9	107.3	10.0	134.9	113.3
1989	109.6	111.3	9.4	161.1	113.0
1990	110.1	112.7	9.0	166.0	107.4
1991	109.7	113.4	9.6	129.0	108.2
3rd qtr.1991	0.0	−0.4	9.7	127.8	109.0
4th qtr.1991	0.2	1.7	10.0	124.8	108.4
1st qtr.1992	−1.2	1.1	10.1	120.0	108.9
2nd qtr.1992	0.1	0.1	10.3	108.5	107.5
August 1991	−0.8	−0.5	9.7	128.8	108.9
September	−2.3	−0.3	9.8	127.8	109.0
October	1.4	0.8	9.9	125.0	108.6
November	0.7	1.5	10.0	126.3	108.5
December	−1.5	2.7	10.0	123.3	108.4
January 1992	0.2	0.4	10.1	122.5	108.7
February	3.3	0.5	10.2	119.6	109.0
March	−6.9	2.5	10.1	117.9	108.9
April	2.6	1.2	10.3	105.5	108.5
May	−0.9	−0.4	10.3	103.4	108.1
June	−1.4	−0.5	10.3	116.4	107.5
July					

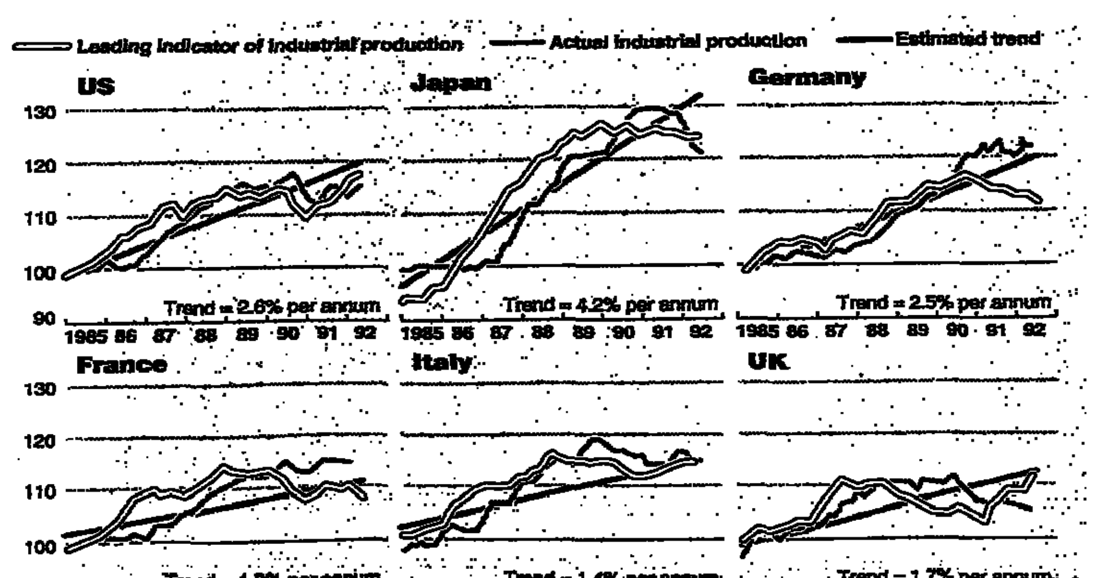
ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	9.6	103.9
1986	108.0	104.1	10.5	110.8
1987	113.9	106.8	10.9	113.0
1988	109.8	114.2	10.9	118.0
1989	118.4	118.7	10.9	116.3
1990	115.0	118.0	10.3	112.6
1991	114.3	115.4	9.8	114.9
3rd qtr.1991	0.9	−3.7	9.6	114.5
4th qtr.1991	6.3	−0.7	9.9	115.1
1st qtr.1992		−0.3	9.9	114.9
2nd qtr.1992				115.0
August 1991	1.6	−6.6	n.a.	114.4
September	−2.6	−2.2	n.a.	114.5
October	6.5	−1.5	n.a.	114.5
November	7.5	1.1	n.a.	114.6
December	5.0	−1.7	n.a.	115.1
January 1992		−1.4	n.a.	115.0
February		0.3	n.a.	114.8
March		0.3	n.a.	114.9
April		0.5	n.a.	115.1
May		0.9	n.a.	115.0
June				114.4
July				

UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	102.1
1986	105.2	102.4	11.2	116.1	105.2
1987	110.7	105.7	10.3	141.2	109.5
1988	117.7	109.5	8.6	144.3	108.0
1989	119.8	109.9	7.1	124.7	105.2
1990	120.4	109.3	6.8	97.9	103.7
1991	119.5	106.0	8.9	68.7	108.3
3rd qtr.1991	−0.5	−2.2	9.4	61.8	108.5
4th qtr.1991	0.4	−0.8	9.7	66.3	108.2
1st qtr.1992	−0.4	−1.3	10.2	73.7	109.2
2nd qtr.1992	1.1	−0.2	10.5	67.7	111.0
1991 August	−0.2	−2.6	9.4	62.4	107.8
September	−0.7	−2.0	9.5	62.3	108.5
October	−0.1	−1.7	9.6	61.1	108.8
November	1.6	−0.6	9.7	64.7	108.5
December	−0.4	−0.3	9.9	73.1	108.2
1992 January	0.8	−1.1	10.1	72.1	108.0
February	1.3	−1.0	10.2	73.5	108.7
March	−3.2	−1.8	10.2	75.4	109.2
April	1.2	1.3	10.4	70.7	110.1
May	1.9	0.5	10.5	67.8	110.8
June	0.3	−2.3	10.5	64.6	111.0
July	−0.6			65.5	

All series seasonally adjusted Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. **Retail sales volume:** data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). **Industrial production:** data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). **Unemployment rate:** OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. **Vacancy rate indicator:** relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. **Composite leading indicator:** OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.



Source: OECD Economic Leading Indicators, August 1992

Economic roots of French 'non' psychology

EXTRAPOLATING historical trends into the future is a risky business, as many economic forecasters have discovered over the past year. But if the past fortnight's shift in French opinion polls continues up to the referendum, then most European interest rates will rise in less than three weeks. Europe will wave goodbye to the Maastricht treaty, and quite possibly the exchange rate mechanism too.

Why have the French apparently become so disenchanted with the Maastricht treaty? Certainly, the French have a habit of inflicting embarrassing surprises on their leaders from time to time. German unification, and the subsequent crop of racial attacks in the eastern Länder, may have revived painful memories in French minds. But there is also an economic cause.

France remains gripped by a sense of economic malaise, provoked by years of high interest rates, slow growth and high unemployment, of which this summer's strikes and riots are symptoms. Last week's economic data provided more unwelcome news for the pro-Maastricht lobbyists. Seasonally adjusted unemployment remained unchanged at 10.3 per cent in July, while gross domestic product grew by a mere 0.1 per cent in the second quarter of this year. Economists at Insee, the French national statistics office have revised down their GDP growth forecast from 2.5 per cent to 2.2 per cent in 1992.

But hold on. Output in the UK economy is still falling after two years of recession, the US is struggling to manage anything more than a meagre recovery and Japan is also slowing fast. French growth of 2.2 per cent this year does not look too bad in comparison.

The French economy has, in fact, done a surprisingly good job of shrugging off the recessionary forces of the past year. The OECD's leading indicator index, an amalgam of interest rates, share prices, business surveys and other forward-looking statistics, is designed to predict movements in industrial output by about six months. But French output has stubbornly refused to follow the indicators' pessimistic forecast, as the chart shows. Output has fallen in the last two months, but has performed better than in the other main industrialised countries since last year.

France's problem is not no growth this year but slow growth over the past half-decade. The government's policy of competitive disinflation within the ERM has reduced French inflation to the lowest European levels but at a high price in terms of persistent unemployment and lost output. French output rose by 13 per cent between 1985 and 1990, compared to 17 per cent in Germany, 18 per cent in Italy and 28 per cent in Japan. The OECD calculates that the trend rate of growth of French industrial output was a modest 1 per cent a year in the 1980s, the slowest of the six largest industrialised countries.

The pain may soon be over. The main obstacle to French growth remains high German interest rates. But Germany's leading indicators suggest a sharp fall in output is in the pipeline. With German inflation also falling, the threat of recession will eventually force the Bundesbank to cut its rates.

And after the pain, the gain: French hands may also be on Europe's monetary tiller before long if the move to monetary union continues as planned.

Unless, that is, the French vote no and the prospect of Emu fades. All the sacrifices of the last few years will then have been in vain.

Edward Balls

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Lufthansa

New banking charges could lead to inquiry

By Scheherazade Daneshkhu and Alison Smith

PLANS BY Britain's four largest clearing banks to phase out free banking could prompt a political inquiry, leading Tory MPs warned yesterday.

Mr John Watts, chairman of the all-party Treasury committee of MPs, expressed unease at the idea of charges being introduced in concerted action by the banks.

He voiced his concern after Barclays, the largest UK clearing bank, confirmed plans to reintroduce charges for many current account holders were "on the agenda". The other three main banks also indicated they were considering similar steps.

Mr John Townend, the chairman of the Tory backbenchers' finance committee, said it was not a good time for the banks to be considering such a move. He accused them of wanting to make customers pay for the banks' misjudgments and bad management over loans to developing countries and property investments.

Although Barclays, which has 6.5m current account holders, has no immediate plans to introduce charges on accounts in credit, an official said: "We are conscious that there is an imbalance between the 80 per cent who pay no current account charges and those that are overdrawn."

Mr Brian Pearse, chief executive of Midland Bank, said there was no point in providing a service for current account holders who never paid charges.

Officials at National Westminster and Lloyds bank also believe the days of free banking in credit may be numbered.

"If only a small minority of your customers are paying bank charges, it's something you look at," said an official at NatWest.

Lloyds bank said UK customers take free banking for granted. "We were the first to introduce charges on credit cards because the majority were being subsidised by the minority," said the official.

As the four banks try to improve their balance sheets, the idea of charging those customers with small balances and heavy use of their current account, is gaining ground. "Most current accounts are run at a great loss," said the official for Barclays.

Intense competition in the savings market mean any bank that makes the first move could stand to lose customers. This has raised speculation that banks may be considering concerted action.

P&O launches Channel campaign

By Richard Tomkins, Transport Correspondent

P&O European Ferries, the biggest ferry operator between Britain and the Continent, is launching an aggressive bid to dominate the cross-Channel market in the run-up to next year's opening of the Channel tunnel.

It plans to increase sailings on the Dover-Calais route by 20 per cent, with departures every 45 minutes at peak times.

The company will also cut check-in times from 30 mins to 20 mins by introducing a computerised port handling system using machine-readable tickets.

P&O's strategy is aimed at increasing the appeal of its ferry service in the run-up to the tunnel's opening by improving speed and convenience.

The strategy is aimed not only at defending its position against the Channel tunnel, however, but at taking market share from Sealink Stena Line, the other big ferry operator on the Dover-Calais route.

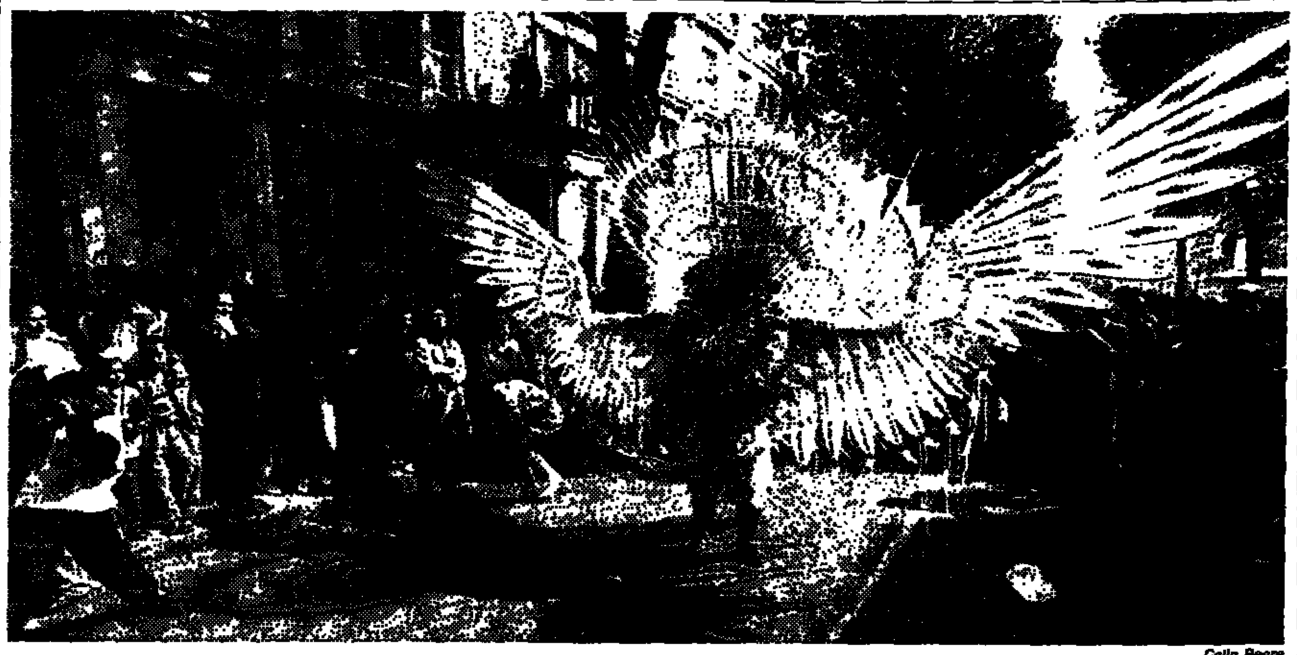
The opening of the tunnel, scheduled for autumn next year, will bring massive over-capacity and fierce competition on cross-Channel services. P&O believes only one ferry operator will survive.

The company has repeatedly tried to persuade the Department of Trade and Industry to let it hold merger talks with Sealink, but the department claims the opening of the tunnel is still too far away.

Under its 1993 strategy unveiled today, P&O seems likely to have a competitive edge over Sealink on the Dover-Calais route next year. It will have more sailings (25, against 20 for Sealink); a higher peak-period frequency (45 mins, against 1hr 15mins); a shorter check-in time (20 mins, against 30mins); and faster vessels.

Sealink, however, has indicated that it has no intention of yielding to P&O on the Dover-Calais route. It has emerged from an extensive restructuring which it says has given it a competitive cost base.

Both operators have been enjoying increases in passenger volumes of 20 to 25 per cent so far this year, largely because of the popularity of self-drive holidays in France, short-break holidays and the opening of EuroDisney.



Colin Beere

Carnival city: the biggest street festival in Europe attracted more than 200,000 spectators at the weekend as Caribbean bands and processions brought Notting Hill, west London, to a standstill. Police said it was the most crime-free carnival in recent years.

BT managers could work from home

By Roland Rudd

MANAGERS at British Telecommunications (BT) will have the right to apply to work from home for the first time following a agreement between the company and the Society of Telecom Executives (STE).

Up to 8,000 junior managers and clerical workers are potentially eligible under the scheme, although BT said the eventual number working from home is not expected to be more than 1,000 by 1993.

Mr Peter Archer, BT's director of employee relations, said: "Teleworking [working from home using modern telecommunication systems, including computers and modems] is an area which has been of growing interest to us.

"While not all jobs are suitable for teleworking we have reached a framework agreement with the STE which will apply for those people who want to work from home."

In the UK, more than 500,000 people are thought to telework full-time, with a further 1.5m part-time. Some analysts estimate that by the year 2010, at least 20 per cent of non-manual working in the UK will be working from home, or near it.

BT managers responsible for supervising employees on a "day to day" basis will not be eligible for the scheme. However, about 8,000 of the STE's membership not involved in managing employees will be able to apply to work from home.

The agreement ensures that those who want to work from home will be eligible for additional home expenditure and will have no change in their pay, annual leave and pensions. Teleworking contracts will be renewed every year.

Mr Simon Petch, STE general secretary, said: "People who want to work from home for various reasons, such as those who do not like working in offices and the disabled, will have the chance to work from home for the first time. It is amazing how much work you can get done at home."

The STE represents 30,000 junior and middle managers and professional staff.

Authorities consider city investment centre

PLANS for a promotion centre to "sell" London and act as a "one-stop shop" for potential investors in the capital are under consideration by three local authorities, writes Andrew Adonis.

The City Corporation, Westminster City Council and the Docklands Development Corporation have commissioned Coopers & Lybrand, the consultants, to report on the viability of such a centre.

If, as expected, Coopers reports favourably, the centre could be in operation by the start of next year. Premises have been secured and a blueprint for an arm's length company to run the centre, with a private sector chief executive, has been drawn up.

The centre is expected to cost around £700,000 a year, met largely by these three authorities in the first year, but with growing contributions from businesses and other councils thereafter.

Britain in brief

North Sea spending to exceed £18bn

Investment on North Sea developments could exceed £18bn in the next three years – 55 per cent more than in the last three years, according to research by Arthur Andersen's Petroleum Services group.

Total output is likely to rise to 2.5m to 2.8m barrels of oil a day by 1995 – higher than previous peak production in the mid-1980s – from 2.0m to 2.1m b/d this year. Government revenues are expected to be about £12bn over the next three calendar years.

Nine offshore fields are expected to start production in 1992, compared with three in 1991, while six developments have gained approval so far this year. Five more are likely to be approved soon.

● British Borneo Petroleum said it had reached a conditional agreement to acquire the 10 per cent interest of Superior Oil, a subsidiary of the US Mobil Corporation, in the North Sea's Victor gas field for about £21.4m.

More Names quit Lloyd's

Lloyd's of London reported that 686 names had resigned from the insurance market by last Friday, although it believed that as many as 1,600 would do so by the year end.

The rate of resignation has showed a marked decline on 1991 when 4,000 names left the insurance market. Lloyd's said this slowdown demonstrated a returning confidence in the market. In total there are 22,000 names at Lloyds.

Jobless figures criticised

Unemployment in constituencies represented by cabinet ministers had more than doubled over the past two years, according to the Labour opposition party.

Mr Frank Dobson, the party's employment spokesman, said the figures showed there were more than 68,000 registered unemployed in the 20 constituencies represented by the cabinet - an increase of more than 38,000 in two years. In spite of the sharp increases, the unemployment rate in 17 of those 20 constituencies remains below the national average of 9.7 per cent of the workforce.

Optimism on wage inflation

Only one in three UK employers are quoting the cost of living as an upward pressure on pay, and Britain is in a strong position to break the wage-price spiral, said the Confederation of British Industry.

Mr Robbie Gilbert, the CBI's Director of Employment Affairs, said over the past year one in four settlements have been at or below 3.5 per cent, and a similar number between 3.5 per cent and 4.5 per cent.

Builders take rivals' contracts

British builders anxious to increase cash flow into their businesses are establishing special task forces to bid for unfinished contracts from failed rivals.

Try Group, a contractor and housebuilder, estimates that about a third of its construction orderbook has been acquired from the receivers of failed builders. The company last year generated pre-tax profits of £2.2m on sales of £114m.

Tarmac, similarly, has established a special team to pursue contracts on unfinished projects. In its case it seeks to renegotiate terms with customers or financing banks rather than try to acquire contracts from the receivers.

Argentine airmen killed

Two Argentine airmen have been killed in an accident at Bournemouth airport in southern England during practice flights for the Farnborough airshow this month.

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NEWS: UK

Government 'ignored' Land Travel warnings

By Alison Smith

The government has come under fire for its failure to hold an inquiry last year into Land Travel, the holiday company that collapsed this summer in spite of public warnings from the firm's auditors.

Mr Nigel Griffiths, the opposition Labour party's consumer affairs spokesman, yesterday published a letter from Price Waterhouse, the firm's accountants until August last year, giving details of the heavy qualifications to the accounts they filed in July 1991.

The accounts, for the six months to March 1991, recorded that the company's liabilities exceeded its assets by £2.1m, and that Price Waterhouse were not satisfied that £1.6m of debts and deferred expenditure was recoverable.

"Our audit opinion is unambiguous and expresses very clearly our concerns about the viability of the company," the letter to Mr Griffiths said.

Soon after Land Travel collapsed, Baroness Denton, a junior minister at the department of trade and industry, confirmed that the DTI had some discretionary powers to investigate in particular cases if there were substantive information giving good reason to do so.

Mr Griffiths argued that the highly critical comments filed with the Registrar of Companies amounted to substantive information.

"It appears as though the DTI was asleep," he said, pressing the case for government compensation of the 40-50,000 people who lost money when the company collapsed just over a month ago.

The DTI responded, however, by saying that it would be logistically impossible to examine all the thousands of accounts were filed at Companies House, and that there was no mechanism for highlighting those accounts that were particularly heavily qualified.

The department added that it had been unable to trace any complaints made to it about Land Travel before its collapse, which could have acted as a trigger for the exercise of the investigative powers.

The plight of would-be holidaymakers who lost money when the company failed is worsened by the fact that Land Travel was not bonded by the Association of British Travel Agents or the Bus and Coach Council.

Only customers who paid by credit card will be able to receive a refund through the Consumer Credit Act.

Further safeguards will be introduced next year following the introduction of a European Community directive that makes bonding compulsory for tour operators.

Independent central bank urged

By Daniel Green

THE Institute of Directors has renewed is call for the Bank of England to be made independent as a signal that the government is committed to low inflation "whatever happens to European Monetary Union".

In a letter to Mr Norman Lamont, chancellor of the exchequer, Mr Peter Morgan, director general of the IoD, also called on the government to "explain and sell its strategy of long term price stability to a society which has only known inflated prices and unreal values".

A list of recommendations to be included on "an agenda for zero inflation" included the scrapping of remaining controls on private housing rentals and the abandonment of indexation in more areas of public spending. The IoD said it regretted that nominal interest rates had not fallen with inflation over the past year.

BBC critics broadcast complaints

Gary Mead finds the corporation's future strategy under attack

MR David Mellor, government minister responsible for the BBC, said earlier this year he wished to see a wide-ranging debate about its future in the run-up to a consultation document, due to be published this autumn.

Last week his wish was granted with a vengeance.

On Monday Sir David Attenborough, scientist and former controller of BBC 2, accused both government and the BBC of planning cost-cutting measures – not officially substantiated – which he said amounted to either "suicide" or "castration".

On Friday, Mr Michael Grade, chief executive of Channel 4 and former controller of BBC 1, delivered a blistering attack on both governors and senior management of the BBC.

He accused them of "brutalising" the corporation through a "pseudo-Leninist style of management", whose approach to the government was characterised by "appeasement".

Sandwiched by such high-profile attacks were suggestions that the BBC is facing its own October Revolution. The rumours included fears that:

- two national radio networks – Radios 2 and 5 – are to be axed
- leading executives in both radio and television are soon to be sacked
- the current director general, Mr Michael Checkland, is stepping down several months early to make way for Mr John Birt, his designated successor.

The BBC yesterday described such suggestions as "wild speculations."

Both Sir Richard Attenborough and Mr Grade argued that their criticisms were inspired by a desire to defend the BBC, not undermine it.

Their anxiety is echoed by fears among several senior managers at the BBC. One described the condition of current management as that of "unholy confusion".

But Lord Nicholas Gordon Lennox, a BBC governor, took the highly unusual step at the weekend of publicly defending both governors and management: "I simply do not recognise the picture painted by Michael Grade," he said.

Lord Nicholas acknowledged that "the BBC are currently embarked on the most searching and critical self-examination they have ever undertaken" but spoke of the governors' "inflexible intention to maintain everything that we believe is best about the BBC."

Underlying the sound and fury is gathering concern as to the role of a public service broadcasting organisation and its funding in an era of squeezed government finances and expanded competition from commercial television, both satellite and terrestrial.

In May this year Mr Birt, deputy director general won agreement from the governors to redefine programme output and take it slightly up-market.

That aim – to ensure the BBC provides something unique and does not compete head on with ITV and satellite channels – must be balanced with the governors' determination that the BBC is not turned into an elitist broadcasting ghetto producing only serious programmes.

Cutting across the debate concerning the content and style of BBC programming is the question of the corporation's funding, currently by means of a compulsory fee levied on all owners of television sets.

The consultation document may contain clues to funding changes, in the context of considering the larger issue of the basis for renewal of the BBC's charter, by the end of 1996. Whether its publication will take some of the heat out of the debate is anyone's guess.

MANAGEMENT: THE GROWING BUSINESS

Charles Batchelor assesses whether BS5750 is too complex and costly for small companies

Badge of quality

Geoff Smith could be the man to give quality a good name among smaller companies in Britain. Smith, managing director of Alfred Bagnall & Sons (South Wales), a painting contractor, earlier this month achieved accreditation for his company under British Standard 5750.

BS5750 is a quality standard which helps businesses adapt their management procedures to reduce the chances of mistakes being made and to allow errors which do occur to be traced and rectified. It is being adopted by a growing number of British companies and other organisations as diverse as local chambers of commerce and (in a modified form) by Notting Hill police station in west London.

What was unusual about Smith's approach to BS5750 was that he made no use of outside consultants to help in the lengthy and often complex qualification procedure. After an initial approach to the British Standards Institution (BSI), the main standards body for BS5750, Smith and his finance director worked through the BSI handbooks and implemented the scheme themselves.

"When we went back to BSI they said we must come on an introductory course," Smith recalls. "We told them we had already written a quality manual and introduced all the procedures and that we wanted accreditation. They only half believed us but when they got here and saw what we had done, they said we had done a splendid job."

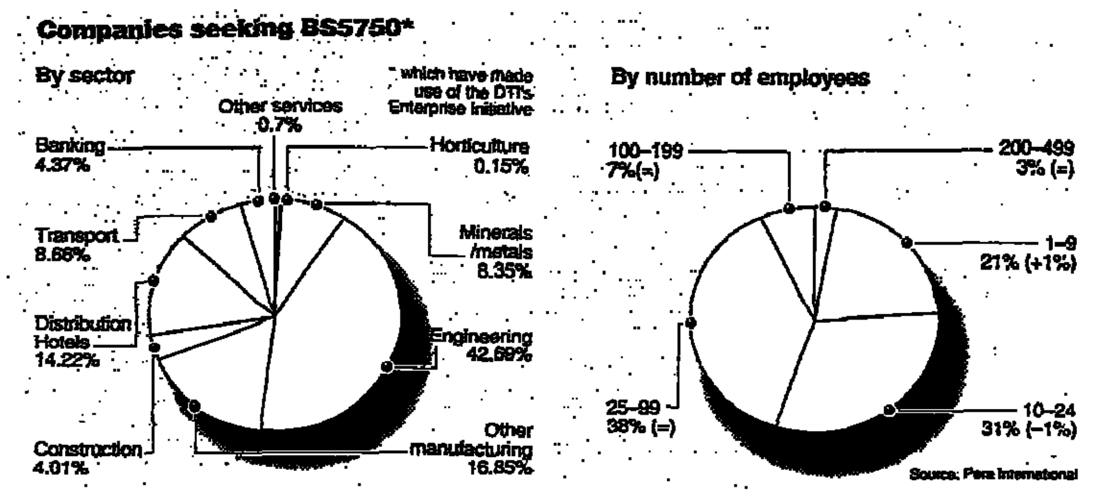
Smith and his company seem set for a star role in promotional brochures put out by BSI and the Department of Trade and Industry (DTI). For after initial enthusiasm for the idea of quality standards, BS5750 has run into increasing criticism from smaller companies.

BS5750 has been criticised for being unduly complex and for imposing a heavy burden on the smaller firm. It demands hundreds of hours of management time, is costly and is not intended to improve the quality of a company's products or services directly but only to improve the management process.

"The standard is written in mumbo jumbo," says Bernard Juby, of the Federation of Small Businesses, which has been campaigning for it to be made more comprehensible to small firms. "Companies have to take on consultants who regurgitate large chunks from the manuals and then charge an arm and a leg."

These claims were backed up earlier this month with the publication of an Open University survey which showed that many small firms feared BS5750 would push up their costs without improving the quality of the goods or services provided. While 2.5 per cent had already obtained BS5750 and a further 25 per cent were in the process or intended to register, just over half said it was not for them.

But what has particularly angered many small businesses is that they may have no choice but to register if they want to retain their customers. Large firms and government organisations increasingly expect their suppliers to meet the standard.



Geoff Smith is convinced of the value of BS5750 despite the fact that it took nearly one day's work a week for him and his finance director over two years. The standard provides an external measure of the effectiveness of his management controls, has increased efficiency and, in the past four months, has improved profits by 10 per cent, he calculates.

Procedures for handling and placing orders have been formalised so as to eliminate the small mistakes which took up so much management time. "There is paperwork involved but it cuts out the 2 per cent of the jobs which caused 90 per cent of the problems," he says.

Alfred Bagnall (South Wales) has already started to benefit from BS5750 but with turnover of £1.3m and a workforce of 45 it is rather larger than the very small businesses – employing up to 20 people – which are the main cause of concern for the Federation of Small Businesses. (Bagnall is also part of a larger Yorkshire-based company, but it received no help from head office.)

The experiences of a small engineering company with sales of £250,000 and eight employees are more typical, according to the critics of BS5750. This company, which prefers to remain anonymous, is currently half-way through the accreditation process but is an unwilling convert to BS5750 under pressure from customers.

The managing director says he has had to change many of his procedures radically and the cost, he believes, can only be met by reducing the quality of the the products he supplies.

The only way of continuing deliveries to some of his customers has been to supply them through another company which is already registered for BS5750, though this has reduced his company's margins.

This company has paid an external consultant £350 a day for 15 days (though the government's Enterprise Initiative scheme meets half of the consultant's fees) to help it produce a quality manual, but the managing director believes he will need an extra employee to handle the paperwork. "We have always worked to a high standard so the only benefit I can see is that we will retrieve some of the customers we have lost," he says.

The BSI remains convinced of the value of BS5750 for businesses of all sizes. It points to the 20,000 UK companies which have achieved accreditation and to the growing acceptance of the standard, or its international equivalents ISO9000 and EN29000, in continental Europe, the US and Japan.

"In general, companies find they are already doing 80 per cent of what is needed to meet the standard," comments Tom Harland, director of business development at BSI Quality Assurance. Although the standard does not directly set out to improve the quality of products or service, by installing procedures which allow a company to identify what has gone wrong, it has the effect of improving product quality, he says.

BSI and other UK certification organisations have, however, been forced by a growing wave of protest from small businesses to consider ways of making BS5750 simpler to implement. The Federation of Small Businesses initially pushed for a less demanding standard for small firms but, realising this would lead to small businesses being labelled as "second class", is now pushing for simplified manuals and easier implementation procedures.

"We have been looking at a more appropriate method of applying the system," comments Bernard Juby. "We would like to devise a manual which would allow a small business to take a step-by-step approach to implementing BS5750. It should be possible to do that for under £50."

As more large companies start to apply BS5750, it has become increasingly important to devise a means to allow the 96 per cent of UK businesses which employ fewer than 20 people to share the benefits of higher quality standards.

A Bible for how the job should be done

It all began as a marketing ploy, David Chambers, managing director of advertising agency Fenn, freely admits. "We approached it in a tongue-in-cheek way, thinking it would be good publicity if we became the first company of our kind to get BS5750."

Eighteen months on, the company has succeeded in getting its award but Chambers says it would have been an expensive exercise just for the PR. Fortunately, he is convinced the company now operates more smoothly and profitably.

Chambers' company is based in north Manchester, has a turnover of about £2m and employs eight full-time staff. Most of Fenn's work is providing "business-to-business" creative services – designing leaflets, brochures and corporate stationary and handling trade and technical advertising.

"An increasing number of our customers were themselves getting BS5750. There wasn't exactly a threat, but there was the veiled suggestion that if we didn't have it we wouldn't be able to deal with them," says Chambers.

A DTI grant went towards hiring quality assurance consultants; other cash costs associated with

certification totalled about £4,000. However, the greatest price to be paid was in time, says Chambers. He calculates that he spent at least two months getting certification. Overall, he considers it a "relatively costly business" for a company of Fenn's size.

The expenditure of time on administering BS5750 continues. Fenn receives six-monthly checks by external assessors and Chambers oversees monthly internal audits. At the moment he has a backlog and July and August's audit will take half a day's work.

"It's a paperwork chore and there's a lot of jargon – there's the sinister-sounding 'corrective action report', for example. We've had very good consultants but that whole area needs monitoring too, in my opinion. Consultants are proliferating – you've now got consultants for the consultants," says Chambers.

In spite of the paperwork, jargon and time-consuming nature of operating BS5750, Chambers is an evangelist. Businesses involving creative types have always been poor on organisation, he says.

"But the last thing we want people to think is that it's creativity by numbers. It doesn't impinge on the creative side but we do now know where things are filed, what procedures are for work to be checked by the customer, for example. There's a Bible for how the job should be done.

"If I'm run over by a bus, someone else would be able to come in and follow the job through smoothly. It's no longer the case that when I go on holiday I have to plaster everyone else's desks with notes before I go."

Diane Summers

In a Nutshell

Investing angels give better help

"Business angels," private investors of equity capital in small businesses, frequently help the companies in which they have invested over a broader range of activities than professional venture capitalists.

This is one of the findings of a new study* of the non-financial contribution of professional and "amateur" investors carried out by the University of Southampton.

Both angels and venture capitalists help to monitor financial and operating performance and act as a sounding board for management, but private investors also made important contributions to business strategy and to product and market development.

**The Roles of Investors in Entrepreneurial Companies. R. Harrison and C. Mason. Urban Policy Research Unit, Department of Geography, Southampton University, SO9 5NH. Tel. (0703) 595000. £6.50.*

Helping the blind entrepreneur

The Royal National Institute for the Blind has teamed up with the Prince's Youth Business Trust to provide assistance to young, visually impaired people who are self-employed. The two organisations will provide joint business advice while the trust, which already helps handicapped entrepreneurs aged under 30, will make its grants available.

RNIB, 224 Great Portland Street, London W1N 6AA. Tel. (071) 388 1266.

IOD backs share schemes

The Institute of Directors (IOD) will launch a campaign to further the cause of employee and director share ownership schemes at a one-day conference entitled Sharing for Success on October 1. The IOD said such schemes would help achieve greater involvement by employees in their companies.

IOD, 116 Pall Mall, London SW1Y 5ED. Tel. (071) 839 1233.

BUILDING CONTRACTS

African road

MARPLES CONSTRUCTION, Bath, has been awarded a contract valued at about £7.5m for the upgrading of a section of the major road in the Kingdom of Swaziland, southern Africa.

The 7.6km section of dual carriageway is to be called the Matsapha-Manzini Highway and will form part of the road from Manzini to Mbabane, the capital of Swaziland. The contract is the first of three to be let for the upgrading of the entire road.

The 24-month project was awarded by the Ministry of Works and Construction and is being funded jointly by the EC and the Swaziland government.

Moscow offices

BOVIS INTERNATIONAL is shortly to begin work on an office redevelopment scheme in the centre of Moscow. The P&O company has signed a joint venture agreement with the Moscow State Philharmonic Orchestra and the International Non-Government Foundation House for Children-Orphans to redevelop three office buildings controlled by the orchestra.

Preparation plans are already under way for the demolition of the interior and back walls of the buildings, to be followed by complete reconstruction, providing 57,000 sq ft of offices.

Maintenance

AMEY FACILITIES MANAGEMENT has been awarded further works services management commissions by the Ministry of Defence. Against five major contractors/consultants, including the PSA, AFM has won the three-year contract to manage works and maintenance at RAF Cottesmore, RAF Luffenham and RAF Wittering.

The value is estimated by the MoD as in excess of £33m and could increase to over £50m, with the option to extend to five years.

Newcastle office development

The Gateshead office of WIMPEY CONSTRUCTION, part of George Wimpey, has clinched a £10m contract to build the Portland Towers office development in the centre of Newcastle for City and Northern Properties.

Two thirds of the 81,000 sq ft complex has been pre-let to the Newcastle Building Society and will form the company's new European headquarters.

Construction work, which is expected to take 15 months to complete, involves major refurbishment to a listed building on the site, as well as a large amount of new build.

The fully air conditioned building will rise up to four storeys in height and provide extensive underground parking for the building's tenants.

The Newcastle Building Society is expected to move into the new premises in December next year. Partners with Wimpey on the project are David Ash Partnership as architect, Tweeds as quantity surveyor and consulting engineer, Cundall Johnston and Partners.

Merseyside pharmaceutical facility

A manufacturing and packaging centre to be constructed by TARMAC CONSTRUCTION for Glaxo on Merseyside could be the quickest building project ever undertaken by the pharmaceuticals giant.

Under a "fast-track" £7.7m contract, Tarmac is scheduled to complete the structural work by next February.

The facility, alongside Glaxo's existing plant at Speke, Liverpool, will play a key role in the production of a new generation of inhalers for asthma sufferers.

The facility, with its high-technology manufacturing equipment, will represent a total investment of £17m by Glaxo at Speke. Production at the plant is expected to start in July creating an extra 80 jobs.

The futuristic 6,000 sq metre building will have a spacious and eye-catching glass-fronted reception area.

Another feature includes a viewing gallery for visitors to look out over the entire production area.

The facility will also have its own extensive laboratories, engineering workshop, training and changing rooms, and a delivery bay for production materials.

Birmingham business park scheme

IEI, the building services division of the Conder Group, has been awarded further orders by Arlington Property Developments at the Birmingham Business Park. The orders bring the number of buildings in which IEI has been involved on the site to 26, with an engineering services value of approximately £7m.

The two new orders are for plots 2,500 and 3,100. Plot 2,500 will be a three-storey office comprising 27,000 sq ft whilst plot 3,100, commencing shortly, comprises five buildings.

IEI's brief includes the design and installation of all electrical and mechanical services including heating, lighting, fire alarms, power and ventilation.

At the heart of Birmingham Business Park is the recently-completed Waterside Centre containing a general store, offices and a restaurant and wine bar.

In the "pagoda" style development, IEI installed all the building services including fan coil heating and cooling to the offices, together with external lighting to complement the landscaping.

Upgrading shopping centre in Scotland

Two companies within the ALFRED McALPINE GROUP have been awarded contracts totalling £6.9m through the company's Glasgow office.

Clyde Square Shopping Centre, Greenock, is to be remodelled and refurbished by Alfred McAlpine Building (Scotland), at a cost of £5.2m.

The work will involve the covering of the 1970s shopping centre with new floors, fire protection and alarms, lighting and architectural treatment to the new internal space. The shops in the centre will continue to trade whilst the building is being altered.

Alfred McAlpine Management has been appointed by Bield Housing Association East to design and construct a £1.7m sheltered housing development at Pilmur Street, Dunfermline, for completion in June 1993.

This is believed to be the first housing development of its type to be built in Scotland and will consist of sheltered housing for sale and rent, and incorporate six care flatlets for the elderly, with warden accommodation and sleepover facilities.

Brewery work for Galliford Midlands

GALLIFORD MIDLANDS, the Wolvey-based construction company, has won a series of orders with a total value in excess of £9.5m for brewing giant Bass.

At Burton on Trent, Galliford is already well into the construction of a £1.5m technical centre for research and development, which is due for completion in March 1993.

The bulk of the work, over £8m, will be carried out at the Cape Hill Brewery in Birmingham. Gallifords' work includes a £4.9m packaging hall and warehouse, a £1.6m filter room and bright beer tanks with bridge link and a £1.5m extension to the brewhouse.

The projects are part of the "Cape 94" scheme, which is a £53m investment being undertaken by Bass to meet the needs of Bass Export and the domestic specialist bottled beer market.

All the work at Cape Hill will be completed by November 1993, with the plant being fully operational by the spring of 1994.

PEOPLE

Back to bits and bytes

The hectic pace and unpredictability of the computer industry can prove addictive. Terry Radford, a 46-year old veteran of Olivetti, Sperry Univac (now Unisys) and Apricot, is returning to the world of bits and bytes after a spell in charge of the European operation of Ampex, a US supplier of video systems to the broadcasting industry.

Recently appointed general manager of Data General's UK and Irish operations, he likens it to "coming home". "It took me a whole morning to settle in".

Data General, one of the pioneers of the minicomputer industry, has had a rough ride over the past few years but Radford believes the company is over the worst: "It has got its product strategy and production costs right while others still have to make that transition".

It now specialises in "open" systems, which follow broad industry standards rather than proprietary designs, and has recently won orders from Customs & Excise and the Department of Employment. Open systems come as second nature to Radford. At Apricot (now ACT) he is still remembered as "Mr Unix" (after the most popular open systems design), and as someone who did a lot to put Apricot on the open systems map.

Now his principal task is to restore Data General's lustre in the most challenging circumstances. "What I have to do is to persuade customers that it is fashionable again to buy from Data General" is how he puts it.

Steeped in the drinks trade

MATTHEW CLARK, the drinks producer and distributor that has been seeking to enter the cider market, has named Michael Cottrell, non-executive chairman of Taunton Cider, to the same position on its board. He succeeds Francis Gordon Clark, 57, who has retired after 17 years as chairman.

Keen to penetrate the growth cider sector, the company was disappointed last year to lose out to a management buy-out when Allied Lyons was disposing of cider and Babycham maker Showerings.

But the recently floated Taunton is hardly now a target of the smaller Matthew Clark. Cottrell, 53, has been on the latter's board since May 1991.

Born in Gibraltar, he entered the trade via the family business, wine and spirits specialist Saccone & Speed. S & S, which started on the Rock, was purchased by Courage back in 1962; he stayed at Courage, rising to managing director between 1982-1987, but leaving six months after the acquisition by Australian brewing group Elders. " I suppose I had become rather possessive about Courage" he remarks.

He then spent eighteen months at Lord Delfont's First

Leisure - a Courage client - latterly as chairman and chief executive, but "there were really too many people at the top of the company" and he did not feel "stretched".

He tried headhunters Russell Reynolds for two years - mostly working on clients within his beloved "booze business" and now divides his time between a handful of non-executive positions in the drinks trade as well as looking after S & S Gibraltar, part of the old family company, bought back, from GrandMet, in 1987.

He knows Matthew Clark chief executive Peter Aikens from the Courage days - Aikens having been chairman of Courage Brewing.

Non-executive directors

■ Jeremy Hardie, executive director of John Swire and Sons Limited since 1982, has been made deputy chairman of W H SMITH GROUP. He has been on the board since 1988. Smith's has not had a deputy chairman for the last five years, but says it was prompted to make the appointment in the light of the current debate about corporate governance and the recently published Cadbury Report which underlines the importance of non-executive directors. Sir Simon Hornby is executive chairman of W H Smith.

■ Timothy Renton (right), former foreign office minister, at FLEMING CONTINENTAL EUROPEAN INVESTMENT TRUST.

■ Christopher Stewart-Smith, president of the British Chambers of Commerce, at ERITH.

■ Sir Robert Rhodes James, former member of parliament for Cambridge and a fellow of Wolfson College, and Ray Matthews, md of Kingston Communications, the Hull telephone company, at CAMBRIDGE CABLE.

■ Lord Rothschild is resigning from COLEFAX AND FOWLER.

■ Michael Lielacher has resigned from ABTRUST NEW EUROPEAN INVESTMENT TRUST.

■ Laurie Conner, recently retired deputy chairman of Hoare Govett Corporate Finance, at BELLWINCH.

■ Jim Ainsworth, founder partner at Warrior International, as chairman at SONS OF GWALIA in Western Australia.

■ Graham Creswick, soon to be md of Esprit Systems, at JOHN FOSTER & SON, where he is currently finance director.

■ Sir Michael Herries, former chairman of ROYAL BANK OF SCOTLAND, is retiring as is Jimmy James. James will take up a post with the Duchy of Cornwall.

BUSINESS FOR SALE

Salzburg Festival

Strauss and Messiaen

IT IS always risky to set out to produce a masterpiece, especially if you are not sure what masterpiece it is going to be. That was more or less the position of Richard Strauss and Hugo von Hofmannsthal after their triumph with *Der Rosenkavalier*, "their" *Marriage of Figaro*, when they decided to top it with a grandiose, edifying fairy-tale opera which would be "their" *Magic Flute*.

That was *Die Frau ohne Schatten* (The Woman without a Shadow), about which the first little problem was that nobody knew how the lighting-men were going to arrange for the fairy-Empress to cast no shadow during most of three long acts. In Götz Friedrich's new Salzburg production, the soprano Cheryl Studer had to keep shrinking into dusky corners and huddling against the extreme sides of the Grosses Festspielhaus stage. Despite some lovely, fluttery singing in the first act and a brave show of spirit in the third, her character remained pallid, and no wonder.

As for the other half of the charmed couple without responsibilities (shadowlessness equals childlessness), has any tenor since Jess Thomas made a creditable fist of the Emperor? Thomas Moser made a careful, intelligent attempt, but without beautiful tone in the high region where Strauss exercises him most, there was always a sense of uphill struggle.

Of the complementary pair, though Robert Hale lent Barak the Dyer a sturdy presence and a big baritone, full of sap and character, without the lyrical smoothness and expansiveness to make the most of "Mir anvertraut", the opera's best number. As his surly, dissatisfied Wife, Eva Marton was touching in mezzo-piano, but fiercely squally in forte: it was often doubtful which note she meant to deliver.

It was left to Marjana Lipovsek as the malevolent Nurse – gorgeously sung, and enhanced by an earthy sense of comic mischief that Hofmannsthal probably never dreamed of – and Bryn Terfel's stentorian Spirit Messenger to fill out their roles completely. Rolf Glittenberg's attractive sets were spacious, uncluttered and old-fashioned enough at heart to answer to the authors' prescriptions; but despite some flashy light-storms I thought Friedrich simply failed to animate the action.

Heaven knows, the story is forced and awkward as it stands, and if tamely walked through it makes a long and tedious narrative. Sir Georg Solti blew up a magnificent storm in the pit, certainly, and the Vienna Philharmonic must be the ideal orchestra for the piece (the many instrumental solos gave great pleasure). Yet one pondered glumly whether this overweening opera can really be revived: a few appealing tunes of 19th-century cut, an unconscionable quantity of fluent, polytonal note-spinning and a lot of raw theatrical noise, an ending protracted far beyond the point when nothing is happening any more...

Olivier Messiaen's *Saint François d'Assise* was designed to be a masterpiece, and Messiaen and everybody else knew exactly what he would be doing: recycling all his familiar tropes on a grander scale than ever, as devotional hagiography. At Salzburg, with two intervals, his eight "scènes franciscaines" took well over six hours.

There is nothing much like plot, nor anything remotely like development. It would be bootless to argue whether or not *St. François* amounts to an "opera"; it is a vast, unhurried aural spectacle, in which the solo voices – Francis and several Brethren, an Angel and a Leper – sing gently and deliberately in the interstices of the towering orchestral roars.

The latter were produced by the Los Angeles Philharmonic under Esa-Pekka Salonen, with the utmost brilliance and panache. As the Saint, José van Dam's serene dignity and authority were beyond praise; and rather like Lipovsek with the Nurse in *Die Frau*, Dawn Upshaw brought a delectable sense of celestial mischief to her Angel – and floated her dewy soprano to perfection. Ronald Hamilton's Leper anguished robustly, and the contrasted Brethren were cast from international strength: notably young Urban Malmberg, Thomas Young and the evergreen Tom Krause.

Messiaen specified in elaborate detail just how the characters should be dressed and behave. The director Peter Sellars wisely ignored most of that, and staged *St. François* like a gigantic pop concert.

The show was visually dominated by a panoply of criss-crossing, multi-coloured neon bars, often conforming to Messiaen's prescribed hues: like Skryabin, the composer found deep significance in music-and-colour correspondences. He did not pretend to generate drama where there was none, but engineered a wealth of dazzling sights.

The set was hung and stacked with some three dozen television sets, multiply showing images apparently filmed with a hand-held camera by a photographer with severe palsy.

That was frequently distracting and irritating, though it did provide a lot of birds for St. Francis to preach to; in particular, recurrent twitchy views of a young man bearing a cross through rough terrain looked very Derek Jarman, very indulgent.

Still, as a staging of a virtually unstageable "opera", Sellars' work was a kind of quixotic triumph.

David Murray

Abisag Tüllmann

José van Dam as St Francis and Dawn Upshaw as The Angel

Sponsorship/Antony Thorncroft

A fickle world

RODGER Broad is a popular man. He controls BT's arts sponsorship budget, which at around £1.6m a year is the largest of any British company. Naturally he attracts offers from arts organisations anxious to relieve him of his cash – at least 50 proposals a week.

After almost 18 months in the job he has worked out a strategy. BT sponsors the arts to improve its image, to show its customers, which embrace virtually the entire population, that it is doing its bit to make life more enjoyable. BT is not interested in boosting brand awareness; it is not too concerned with corporate hospitality, although it does entertain at arts events. It sees the arts as a generator of goodwill.

This controls Broad's decisions. Not for him the investment in Glyndebourne or Covent Garden. His flagship sponsorships are events that cover the nation, ideally reaching into the more obscure and neglected corners, and involving consumers who have never before tried the arts. At the moment BT supports two such arts activities, Northern Ballet Theatre, which brings popular dance to medium-sized venues, and National Touring Exhibitions, which under the control of London's South Bank, and with more than £1m of BT's money over three years, takes art shows to small local galleries.

What makes Broad particularly attractive at the moment is that he is looking for a third sponsorship in which to invest up to £200,000 a year. He is concentrating his quest on the theatre and music, with the theatre the favourite. Renaissance, Kenneth Branagh's touring company, is an obvious candidate, but much depends on Branagh's availability and the ability of the company to get along with BT. Broad seeks no artistic influence, but he insists on well managed arts organisations, alive to PR and marketing opportunities of mutual benefit.

Attached to the three flagships Broad envisages a fleet of ancillary sponsorships in each field. Some are already in place – the controversial New Contemporaries touring arts show, which should get BT support for at least one more year, nicely compliments National Touring Exhibitions, while standing in for the missing theatrical trail-blazer is the BT Biennial, the creation by a successful author of a new play to be performed simultaneously by about 70 amateur theatrical companies.

Broad came from BT's PR side. Until he took on his job he had never been to the ballet. He is now an enthusiast. He reckons that if BT can ease more first-timers into their local theatre or art gallery, he will have done his bit for them and for BT. Some in the arts have taken exception to this populist approach; the RSC was upset when BT failed to renew its sponsorship of its small venues tour and instead put over £100,000 into *Witness for the Prosecution*. Broad has no regrets. BT's money enabled the play to visit more than 40 towns, many of which had never received a fully cast, well staged, theatrical production.

BT's commitment to the arts seems set firm. The money comes from a total community and charity budget fixed at a half of one per cent of profits, which currently means £15m a year. The desired format is three big touring sponsorships supplemented by lower profile ancillary help – scholarships, management training, and the like. BT does not imagine that its sponsorship of the arts will significantly alter the public's attitude towards the company, but if it can expand the audience for the arts, it will be happy enough.

* * *

The nail biting starts soon for the RSC, as its agreement with its biggest sponsor, Royal Insurance, which is worth £2.1m over three years, approaches its natural end in 1993. Will the Royal renew ?

It has already done so once, and in the fickle world of arts sponsorship – made even more fickle by the recession – a six year commitment is regarded as par for the course.

But the Royal has done well out of the sponsorship, which has made its chairman, Ian Rushton, the spokesman for corporate sponsors everywhere. Last week the Royal contributed another £20,000. It is paying for 15 "signed" performances by the RSC which will enable deaf theatre lovers to follow the show. It is also supplying an audio descriptive system to the Barbican which gives a running commentary and enables the partially sighted to enjoy the theatre that much more.

This extra help does not mean that the Royal will sign up for another three years. Most likely it will support the Company into 1994, giving it time to find another big backer. Despite the recession, the RSC has been successful in attracting sponsors this year.

Unilever is supporting the Company for the first time, putting almost £50,000 behind the Kenneth Branagh *Hamlet*, which opens at the Barbican in December. Meanwhile, two performances of the acclaimed *Two Gentlemen of Verona* which arrives at the Barbican in October are being sponsored by the Royal Mail, and one by AT&T.

* * *

Since 1987 Digital, the computer company, has been the main sponsor of the European Community Youth Orchestra, investing £2.5m in what has become the finest, perhaps only, example of the EC member countries working in complete harmony. Digital used the ECYO to ease its way into Russia last December, and is currently supporting it on a major European tour.

But after 1993 Digital will be looking elsewhere for a sponsorship vehicle. This offers opportunities for a multinational to pick up the baton and become associated with the best possible ambassadors in Europe, and for an arts organisation, probably in visual arts, to attract the support of a leading sponsor of the arts.

* * *

The Scottish Chamber Orchestra, which received £100,000 as the winner of the Prudential Award for the Arts, is devoting the money to two projects – a specially commissioned music theatre work by James MacMillan, *Visitatio Sepulchri*, yet another modern composition inspired by medieval religious drama, to be presented at Glasgow's Tramway next May, and the revival of a "Sang School" in the Border village of Ettrickbridge in October.

London Promenade Concerts

Welsh Symphony

Sunday afternoon's Prom concert may have had a "safe" programme, reasonable enough for the family-slot in a Bank Holiday weekend, but it never sounded like mere routine. Conducting the BBC Welsh Symphony, Tadaki Otaka was freshly attentive to everything.

The longest piece was Max Bruch's G minor violin concerto, which has been fading from the repertoire since the Second World War. Raphael Oleg delivered it with searching affection, and complete command of its virtuoso writing – in which he always found good musical sense; Otaka built up the orchestral music to a grand Brahmsian scale. The central Adagio was both poignant and imposing, as it should be. A worthy performance of this concerto always makes one think that we ought to hear much more Bruch: it is a pity that not much more Bruch actually lives up to this elevated standard.

Even the choice of concert-opener, Mendelssohn's familiar overture *Calm Sea and Prosperous Voyage*, had an extra point here, for Elgar quotes it in the penultimate variation of his "Enigma" set which ended the concert.

There was another, more languishing seascape after the interval, when Ann Murray sang Chausson's *Poème l'amour et de la mer*+. She captured a sharp sense of loss beyond well-bred feeling, almost persuading me that the darker mezzo voice usually assigned to the piece is not strictly necessary; meanwhile Otaka – and particularly his cellos – drew out Chausson's svelte lines with assured poise.

Finally, the "Enigma" Variations got a properly idiomatic performance, emphasising both continuity and contrast: no sense of an old war-horse being exercised, but rather of respectful, sympathetic rediscovery. Clearly, the BBC Welsh orchestra is prospering with Otaka.

David Murray

Friday's concert in the Albert Hall was given over to the music of John Adams. In the hierarchy of the proms such honours do not come the way of many contemporary composers; that Adams was favoured is a measure of the insidious popularity of his works and the brouhaha that has surrounded his two operas, *Nixon in China* and *The Death of Klinghoffer*. Adams himself conducted the London Sinfonietta whose director, Paul Crossley, was the soloist in *Eros Piano*.

That piece, sandwiched between *Shaker Loops* and *Grand Pianola Music*, proved the low point. Inspired by the music of Takemitsu it shows Adams' powers of construction at their weakest, and its language of Skryabin, Berg and Messiaen *rechauffé* at his flabbiest. At least *Shaker Loops*, which established Adams as a distinctive voice in the 1980s, has stylistic consistency and strength. There's a convincing integrity about the musical material and a carefully plotted structure which owes more than a little to Sibelius.

At least Adams is pleasantly unabashed about all these magpie tendencies, consciously absorbing all the influences and allowing them to ferment. In *Grand Pianola Music* they burst out in glorious profusion, throwing 19th-century triumphalism into the mix as well. The result is coarse-grained – there's nothing subtle about the scoring, and the big tune that caps the second movement is irredeemably banal. But in this case it is done with some panache and tongue firmly wedged into cheek; when Adams doesn't take himself too seriously his music seems all the better for it.

Andrew Clements

The Secret Life and His Majesty

FEW English artists have any real subject except England: it's the well-spring from which they draw all their sustenance. It was to be expected that Harley Granville-Barker – the Trollope of playwrights – would flounder when tackling dethroned European monarchy, and so it proves. Barker completed *His Majesty*, his final play, in 1923; this staging by the Orange Tree, Richmond, is its world premiere. The director, Sam Walters, who directed the first-ever production of Barker's *The Secret Life* at the Orange Tree in 1988, does much to animate this curio.

As a comment on Europe, it throws off pre-echoes of present-day Romania and ex-Yugoslavia; as a comment on kings, it suggests that monarchy is an anachronism; as a expression of Barker himself, it reflects his own abdication from the centre of British theatre. Its discussion is never less than intelligent, though often less than dramatic. Barker always risked too much wordiness and plot detail, and here went overboard on them. It hangs fire.

The scene-changes in this production are more vivid than the play. Sam Dastor is a world-weary king, monotonously gracious and resigned, not unlike an Alan Bennett vicar. Caroline John's Queen, with a slight staginess that's appropriate, has welcome energy and poise.

Meanwhile at the Royal Lyceum Theatre the Royal National Theatre has given two rehearsed readings of *The Secret Life*. Here too the dominant note is resignation, even abdication. The play is set on the cusp of the upper and upper-middle classes, and – like *His Majesty* and unlike *The Voysey Inheritance* and *The Madras House* – suffers from its narrow, privileged social horizons. Its main life occurs in its varied depiction of relations between men and women.

The Royal National Theatre should not be presenting a play-reading where most of the cast project so poorly, indeed unprofessionally. I would call Rachel Joyce's method of acting a fake-radiant drone if I could have heard more than a third of her words, but I couldn't. Michael Gardiner inflicted on two roles the same woollen consonants, cloudy vowels, soggy sibilants and dull pacing. Helen McCrory's narration was drab and underpowered; one fears for her reading of Barker's Ann Leete next week.

The cast offered incorrect pronunciations of "loggia" and "sine qua non". The characters who open the play by talking about Wagner mispronounce his characters' names and have no notion of how his music goes. Manning Redwood, Jo Stone-Fewings and Mary Mitchell all gave otherwise charming, detailed but too subdued accounts.

I might fault Brenda Blethyn's Joan for its breathy little-girl voice – but I was merely grateful for its audibility. Rosemary Martin and James Laurenson were in another league – sharply focused characterisations alive in every detail.

And, in the central role of Evan Strowde, Alan Howard gave an object-lesson in every kind of projection. Every flick of his eyes, eyebrows, head, every gesture or stab of his pencil conveyed the role's inner and outer lives. Reading most of the role pianissimo, he always showed perfect mastery of breath. There's something burnt-out about Howard these days that adds an exceptionally poignant restraint to his delivery. Using about five per cent of his virtuoso technique, he dominated the endeavour, illumined the play, and thrilled me to the marrow.

Alastair Macaulay

His Majesty continues at St Bride's Centre until Saturday 29th, then transfers to the Orange Tree Theatre, where it runs from September 3 to October 10

INTERNATIONAL

ARTS GUIDE

■ BRUSSELS

Monnaie 20.00 Mozart Concert Arias: new work by experimental Belgian choreographer Anne Teresa De Keersmaeker, danced by her own Rosas company. Repeated tomorrow. Sun in Palais des Beaux Arts: Antonio Pappano conducts the Orchestra of the Monnaie in works by Mozart, Berg and Richard Strauss (219 6341)

■ COPENHAGEN

TIVOLI CONCERT HALL
Alvin Ailey American Dance Theater opens a week-long engagement tonight at 19.30. Sep 11: Lucia Popp is soloist in a concert with the Tivoli Symphony Orchestra (8315 1012)

■ FRANKFURT

● This week's Frankfurt Festival events at the Alte Oper include a series of John Cage programmes, a concert by the Dresden Staatskapelle under Sinopoli tomorrow, a programme of modern Russian music performed by the Deutsche Kammerphilharmonie on Thurs and a Cracow Philharmonic concert of Penderecki works on Sun. The festival runs till Sep 21, and includes a visit next week by the Bolshoy Orchestra (1340 400)

● The Opernhaus has concerts by the Israel Chamber Orchestra tonight and tomorrow at 20.00, with works by Vivaldi, Haydn, Mendelssohn, Shostakovich and others. Fri and Sat: Batsheva Dance Company in works by Ohad Naharin. Sep 17-20: Merce Cunningham Dance Company. Sep 27: start of 1992-3 Frankfurt Opera season (236061)

● Passion Play, a comedy by Peter Nichols, opens on Sep 12 at Frankfurt's English Theatre (Kaiserstrasse 52, 2423 1620)

■ HAMBURG

● Neville Marriner conducts the Academy of St Martin in the Fields in tonight's all-Mendelssohn concert in the Musikhalle. Tomorrow: Gerd Albrecht conducts works by Giacinto Scelsi, Shostakovich and Mendelssohn. Thurs: Albrecht conducts a concert performance of Schumann's opera Genoveva. Jürg Wyttenbach directs a special Scelsi concert on Sun morning (247747)

● The new season at the Staatsoper begins on Sep 16 with a revival of Simon Boccanegra, followed by Der Rosenkavalier on Sep 20. The first new production of the season is Die Walküre on Oct 25 (351721)

● Arthur Miller's The Crucible runs till next Mon (except Fri) at the Markthalle (339491). Peter Zadek's Berlin production of The Blue Angel, starring Ute Lemper, opens at the Deutsches Schauspielhaus on Sep 12 (248713)

■ HELSINKI

HELSINKI FESTIVAL
Tomorrow's concert performance of Die Frau ohne Schatten in Finlandia Hall is conducted by Leif Segerstam. Walton Grönroos sings Schubert's Winterreise on Thurs in the Sibelius Academy. Paul McCartney's Liverpool Oratorio receives its first performance in Scandanavia on Fri, at the Johannes Church. Sat: concerts by Emerson Quartet and Kalichstein Trio. Sun: Kalichstein Trio gives world premiere of new piano trio by Arvo Pärt. This is the closing concert of this year's festival (644665)

■ LUCERNE

LUCERNE FESTIVAL
Tonight's concert in the Kunsthaus is the final of the Street Music Competition, to be judged by an international jury of musicians including Paul Sacher. Tomorrow in Franziskanerkirche: Jordi Savall directs Hesperion XX in a programme of music from the time of Columbus. Thurs: Peter Schreier conducts Haydn's Creation. Fri: Peter Maxwell Davies conducts the Scottish Chamber Orchestra. Sat evening and Sun morning: Yuri Temirkanov conducts the St Petersburg Philharmonic. Sun evening: Sandor Vegh conducts the Salzburg Camerata Academica. The festival runs till Sep 9 (041-235272)

■ NEW YORK

JAZZ/CABARET
Blue Note Jazz Club and Restaurant Drummer and composer Billy Cobham and his trio are in residence this week, in a double-bill with guitarists Larry Coryell and Vic Juris. Showtimes at 21.00 and 23.30, with a third show at 01.30 on Fri and Sat. Next week: Herbie Mann 40th Anniversary Reunion Band (131 West 3rd St, 475 8592)
Michael's Pub Singer and pianist Jo Thompson is in the midst of her first New York engagement for more than 30 years. Tues to Sat at 21.15 and 23.15. Woody Allen is usually found playing Dixieland here every Mon (211 East 55th St, 758 2272)
Rainbow and Stars Kaye Ballard heads a distinguished cast in a well-received Irving Berlin revue entitled Say It with Music. Shows from 21.00. Dining. Closed Mon (30 Rockefeller Plaza, 632 5000)
Fat Tuesday's Pianist Ahmad Jamal begins an engagement tonight in what is considered one of the city's top jazz spots. Music from 20.00. Dining (190 Third Ave, 533 7902)
Club 53 A new cabaret in the New York Hilton. Shows begin at 20.45, with an extra show on Fri and Sat at 22.30 (Sixth Ave at 53rd St, 261 5853)

■ UTRECHT

Vredenburg 19.00 Jordi Savall directs Hesperion XX in music by composers of Spain's Golden Age. Thurs: Edo de Waart conducts Mahler's Third Symphony (314544)

■ VIENNA

MUSIC
● Tonight's performance of Carmen at the Staatsoper is the opening night of the season, with a cast led by Placido Domingo and Agnes Baltsa (repeated on Sat). Tomorrow: Il barbiere di Siviglia. Thurs: Tosca. Fri: Ariadne auf Naxos. Sun: L'elisir d'amore (51444 2960)

● The Volksoper repertory includes Johann Strauss' Eine Nacht in Venedig on Thurs, Die Fledermaus on Sat and a Zemlinsky opera double-bill on Sun (51444 3318)

● The Schlosstheater at Schönbrunn has daily performances of two lesser known Mozart operas staged by Neue Oper Austria: La finta giardiniera (tonight) is in repertory with Ascania in Alba till Sep 13 (824566)

● The Nash Ensemble gives concerts at the Minoritenkirche on Sat and next Mon, with music by Beethoven, Berg, Britten, Simon Holt and others (8252 0811)

THEATRE
● The world premiere of Elisabeth, a new musical about the wife of Emperor Franz Joseph, takes place at the Theater an der Wien on Thurs. The music is by Sylvester Levay and the production by Harry Kupfer. Daily except Wed (599 7719)

● A new production of Eugene O'Neill's 1943 play A Moon for the Misbegotten opens next Mon at Vienna's English Theatre, Josefsgasse 12 (402 1260). This week's repertory at the Burgtheater and Akademietheater includes Dürrenmatt's The Visit, Shakespeare's Macbeth, Goethe's Clavigo and Sean O'Casey's The End of the Beginning (51444 2218)

● Telephone sales of tickets for the Staatsoper, Volksoper and Burgtheater are available worldwide for holders of credit cards by ringing Vienna 5131 513

■ WASHINGTON

Kennedy Center Opera House Aspects of Love, Andrew Lloyd Webber's romantic musical. Daily except Mon till Sep 27 (467 4600)
Filene Center at Wolf Trap Andrew Lloyd Webber's musical Evita, daily till Sun. Next Tues: BB King, Dr John and Buddy Guy (703-218 6500)
Signature Theater Assassins, musical by Stephen Sondheim. Till Oct 3 (703-685 4331)
Blues Alley Jazz Supperclub Tonight's guest artist is James Lloyd, keyboards. Tomorrow: vocalist Ellen Gross. Thurs to Sun: Mose Allison, piano/vocals (1073 Wisconsin Ave, in the alley, 337 4141)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY
CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly in-depth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY
CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY
CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Tuesday September 1 1992

The case for action

THE London conference on the former Yugoslavia had one overriding purpose: to find ways of bringing peace to Bosnia and stability to the Balkans without the use of external force. Ultimately, this may prove to be impossible. But it is up to the United Nations and the European Community to implement all its conclusions with the utmost sense of urgency. The conference agreed on four documents which they will try to start implementing in Geneva later this week. But if the documents are to have any meaning, time is of the essence – as confirmed by the Serb bombardment of Sarajevo at the weekend.

First, the UN Security Council must quickly amend the mandate of the UN forces in Bosnia. All humanitarian aid convoys must be accompanied by armoured personnel carriers, and protected by troops committed by Canada, France, Spain and the UK. These convoys must be ready to move in and keep the aid rolling when the Serbs lift their sieges of Bosnia's towns.

If there is any time lag, the Bosnian government forces will, understandably, try to regain territory seized by the Serbs. This will encourage the Serbs to continue the war. Backed by a military machine from Serbia proper, they are in a position to do so.

The UN must also be ready to place all Serb artillery and heavy weaponry under its control. There is no point in believing that Mr Radovan Karadzic, head of the Bosnian Serbs, will order his forces to give up their weapons without international monitors on the ground.

The UN should commit itself to a specific timetable as to when these monitors will be sent, how the flow of reinforcements from Serbia into Bosnia can be stemmed, when the ban on all military flights over the republic will be implemented, and when tougher sanctions will be imposed on Serbia. A lax timetable, or none at all, would be a recipe for failure.

Banning military flights should be coupled with placing all military aircraft in Bosnia under international control. In Geneva, there must be moves towards reining in Serbia's own military machine. If this is not done, there is no reason to doubt that Serbia will use its aircraft and tanks against the ethnic Albanians in the southern province of Kosovo.

Were that to happen, then Macedonia, whose independence has still to be recognised by the EC, will be dragged into the war: its own ethnic Albanian minority will defend their *confreres* in Kosovo. Since the UN and EC are not prepared to arm the Moslems or back the documents with force, this form of containment is essential.

The UN and EC must then draw up a financial package to provide shelter for the tens of thousands of Bosnians whose homes have been destroyed by the Serbs. There is also a need to create safe havens within Bosnia. Without action now, the London Conference will have failed to stop the war, and failed to stop it from spreading.

College for all

A RECORD number of students will embark on higher education courses in the UK in a few weeks. About one in five 18-yearolds is about to set off to college or university, and the proportion is set to rise to one in three by the year 2000.

Increasing access to higher education is a laudable goal, provided standards are safeguarded. It is not, however, in the best interests of the productive economy that so much of the current growth should be concentrated in the humanities and social sciences. The fault there lies in the schools, as evidenced by a continuing decline in maths and science at GCSE and A-level.

Whatever form it takes, expansion raises two important policy issues as yet barely addressed by the government. What quality of higher education should students have a right to expect? And how is it to be financed?

So far, the government has done little beyond setting targets for expansion and allowing polytechnics to call themselves universities. Targets without resources should impress no-one. As for nomenclature, if allowing a London polytechnic to call itself the University of Westminster silences the Oxbridge snobs, all well and good. But the acute overcrowding to be found in many of the former polytechnics will not be reduced by changing their letter heads.

A number of fairly painless reforms could ease the burden. The government should accept the recommendations of the Pearce Report, and give higher education institutions greater freedom to borrow against their assets. It should also encourage universities to move towards semesters to increase their productivity, and be ruthless about concentrating research funding only on those institutions with strong research records.

However, it also needs to contemplate several more painful reforms. First, if student maintenance is means-tested and, increasingly, provided in the form of loans rather than grants, why not students' tuition fees also? Most students benefit enormously in terms of earning power from their degrees: with public spending constrained, there is no reason in equity why those capable of doing so should not repay at least part of the cost of their courses.

Second, the government should consider ending subsidies for students who wish to study away from home. There is a lot to be said for young people going away to college, but not much for the state paying large sums for them to do so. Perhaps student housing should only be built on a fully commercial basis.

The government's job is to see that quality is maintained. The biggest contributions it can make to that are to keep class sizes small, and to ensure that academic pay is high enough to attract the ablest graduates into university teaching and research. At present it is failing to do either.

Japanese action

THE POWER struggle within Japan's government has been resolved, at least for the moment. And for once the strongest has not emerged victorious. The unexpectedly large fiscal package of direct public spending increases and tax reliefs confirms that the misgivings of the ministry of finance have been overridden. The malign inaction that has undermined market confidence over the past few months has gone. The financial markets are still celebrating.

Only time will tell whether these celebrations are premature. But the realistic, as well as the pessimistic, investor will not yet have been convinced that Tokyo's bear market is over, despite a 25 per cent rise in share prices over the past fortnight.

It is not enough that the government is, and is seen to be, taking its responsibilities seriously at last. What counts is what the government can do to offset the risks that the economy faces. In fact, it can do very little.

The fiscal package, in so far as it involves direct increases in spending, will boost domestic demand while accelerating much needed public investment projects. Yet much of the stimulus from this fiscal boost will not arrive until next year. In the meantime, companies will continue to cut back on capital spending projects in the face of depressed profits and sluggish consumer demand. There remains much bad news for the markets to digest.

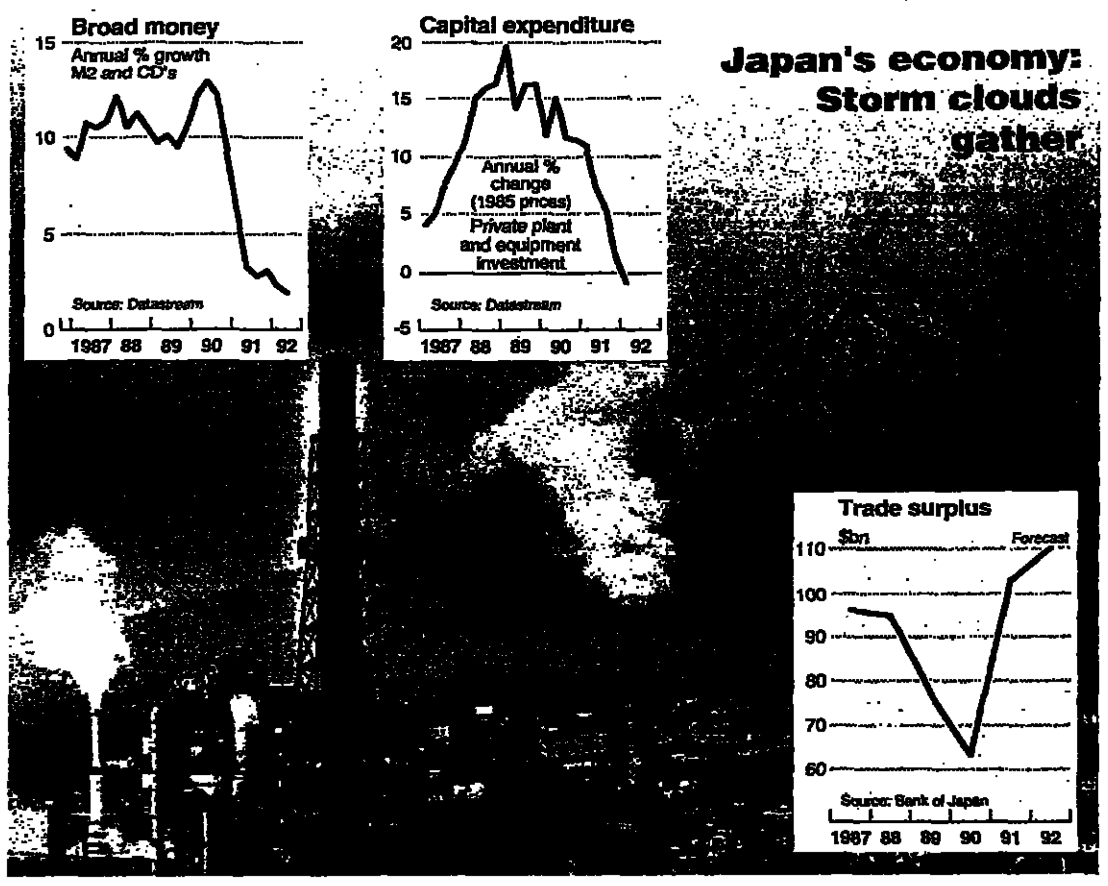
The sagacity of the various, and often vague, ruses to boost share prices and ease the plight of Japan's indebted banking industry are harder to judge. But the suspicion remains that many, particularly the new private corporation which will buy land from troubled banks, provide means of concealing rather than solving the problems. Only if the government subsidises the purchase of this land will the scheme be any more than an accounting device to conceal the banks' losses from investors. But monetary policy provides a much better way for the government to support the banking industry than by artificially holding up land prices.

Neither fiscal nor monetary policy can prevent a long and painful work-out from the debt-overhang facing Japan, and the US and UK too. But easing policy can make this process quicker and less painful than it would otherwise be. Neither the US nor the UK have the fiscal room for manoeuvre to justify anything more than a modest increase in spending without storing up debt problems of a different sort for the future. The UK has to live with very high interest rates too.

Japan's advantage is that it has both policy options at its disposal. The government prevaricated too long before acting to ease fiscal policy, undermining market confidence in the process. But the Bank of Japan can learn from this mistake. It still has room to cut short-term interest rates. It should do so now rather than wait.

Japan's corporate sector faces tough times ahead despite the government's fiscal package, writes **Steven Butler**

Little cause for comfort



Tokyo's financial mandarins have finally opened their eyes to the gathering economic woes in Japan. And they don't like what they see. After months in which they had appeared blind to the threat posed by falling share prices and an increasingly dismal stream of economic news, the government has acted to halt the deepening crisis in the domestic financial markets. At least for the time being.

The government's overall Y10,700bn (£43bn) fiscal package – announced last Friday – will increase public spending by an amount equivalent to building five Channel tunnels and extending London's Jubilee underground line with the spare change. Salomon Brothers Asia, an investment bank, estimates that the programme will add Y7,600bn to aggregate demand, and boost gross national product by 1.66 per cent, mainly next year.

At the same time, the ministry of finance's recent support measures for the troubled banking industry appears to have halted this year's collapse in share prices. The Nikkei has risen by 25 per cent in less than two weeks on the back of investors' positive response to the government's willingness to ease pressure on the heavily-indebted financial sector.

Yet the combined package of fiscal and financial measures will do little to ease the squeeze felt by many manufacturing companies that have been among the worst hit by the deepening domestic economic downturn. The recent rally in Japanese share prices may not last. Only when a recovery in corporate profits finally arrives will the dangers of a further collapse in share prices be over.

A series of poor corporate results last Friday highlighted the continuing risks facing the economy. On the evening that the government approved the spending package and outlined emergency measures for the financial markets, Nissan Motor, Japan's second biggest vehicle maker, warned of losses for the year totalling Y20bn, a further 17 per cent cut in capital spending, and plans to shed 4,000 jobs over the next three years.

And Nissan was not the only big Japanese company to announce downwardly revised profits forecasts. Similar announcements were made by computer company NEC and consumer electronics group Toshiba, Komatsu, the heavy equipment maker retailer Mitsukoshi, Kyocera, the electronic equipment products, and a string of other companies yesterday. Much of the rest of Japan Inc. is likely to follow suit in the weeks ahead.

These grim corporate developments are the result of the wrenching boom-bust cycle that companies, as well as financial markets, have experienced over the past five years. The years of cheap finance that artificially boosted land and property prices and encouraged an unprecedented acceleration of corporate investment are no more. The fallout from this re-adjustment promises to produce plenty more bad news in the months ahead.

The problems of both the banking and the corporate sectors have their roots in the period during the mid- to late-1980s, when Japan came under enormous international pressure to cut its huge trade surplus by expanding domestic demand. Following the 1987 Louvre agreement to stabilise the fall of the dollar, the Bank of Japan was required to keep interest rates low so as to stimulate the economy and boost imports.

The consequences for the financial sector were turbulent. Low interest rates and financial deregulation inflated the financial markets as property prices and share prices soared and bank lending grew at am unsustainable rate. As inflationary pressures grew, the Bank of Japan eventually raised interest rates in 1989, pricking the economic bubble and leading to a decline in stock prices and collapse of the property market in 1990. The banks remain burdened by bad debt as property prices continue to fall.

What Japan's economic bureaucrats have consistently failed to appreciate is the extent to which the boom years also distorted investment and consumption patterns. Company investments grew sharply as money was cheap to borrow; the rise in share prices also reduced the cost of equity capital to very low levels by international standards.

Growth in private capital equipment investment reached a peak at 16.6 per cent in 1989, and continued rising at a brisk pace of 12.4 per cent in 1990. Nissan, not atypical of manufacturing companies, tripled capital investment to Y318.6bn in the three years to 1990, taking advantage of market conditions to renew production facilities.

Manufacturers were also encouraged to invest by a brisk rise in consumption, which was in turn supported by the tight labour market. Japanese companies had responded to a blaze of publicity about domestic structural labour shortages by taking on more workers. For employees, the high level of job vacancies reduced the already low risk of redundancy, encouraging them to spend more, mostly on expensive durable goods. Passenger car registrations, for example, rose by 13.2 per cent in 1988 and 12.6 per cent in 1989.

The net result was a rise in investment that quickly became unsustainable once interest rates rose, share prices fell and domestic demand began to slow. Companies brought new facilities on stream only to discover that demand had disappeared. Inventories began to pile up, even as production was cut. Capital spending plans began to cut deeply into corporate profits at a time when depreciation charges on previous investments were already rising to a peak.

What was a powerful cyclical rise, has turned into an equally powerful cyclical retreat. Companies have responded by cutting investment, reducing bonus payments, curbing overtime and temporary employment, freezing hiring, and even in some cases reducing overall staff numbers through natural wastage. With employment now less secure than before, household consumption began to slow in the second quarter of this year.

Yet, in spite of the accumulating evidence pointing to the economy's slow down over the past year, it is only now that the ministry of finance has accepted that the private sector's pleas for for government action amount to more than just special pleading.

Why has the ministry been so slow to respond? Mr Masaru Yoshitomi, economist at the Economic Planning Agency, said that the government misjudged the severity of the downturn because some vital indicators on which it kept a particularly close eye, such as plant utilisation, had only been declining early in the year to levels seen in the late-1980s, prior to the upturn.

Finance ministry officials continually pointed to other indicators, such as employment and bankruptcies, which showed the economy bearing up much more so than in the 1973 and 1979 downturns following the oil price rise. Financial indicators – falling stock and land prices, and the record slow growth in the broad money supply – all suggested that things were much worse, but were ignored.

Most important, the ministry of finance has remained stubbornly unwilling until the past few weeks to reverse its policy of reducing government debt and agree to anything more than a cosmetic fiscal boost. The Bank of Japan has been cutting interest rates since July of last year. But low interest rates alone would probably not have been enough to encourage the economy to pick up. Certainly the US has found that recession accompanied by asset deflation has proved extremely difficult to turn around by monetary policy means alone.

And, in spite of the ministry's qualms, Japan benefits from being able to use fiscal policy instruments on a much larger scale than the deficit-constrained US. Japan's ratio of net state debt to GNP is a modest 7 per cent compared to 36 per cent in the US. But more important, the Organisation for Economic Co-operation and Development has forecast that Japan will run a budget surplus of 1.9 per cent of GNP this year compared to a US deficit of 3.8 per cent. Tokyo can therefore afford a spending package of a magnitude denied to Washington.

What has prompted the Japanese government to finally act has been the recent plunge in consumer spending, downward forecasts of corporate profits and the accompanying plunge in share prices. Government economists had consistently maintained that the strength of consumer spending would sustain the economy.

The government's response has been a typical Japanese-style package of fiscal measures. Its package is designed to boost domestic demand and partly offset the fall in private consumption and capital spending that threatens to push growth to below 2 per cent this year. Economists in Tokyo estimate that the increase in central and local government spending on public works outlined in the package – totalling about Y5,000bn – will boost growth by between 0.6 per cent and 0.7 per cent this fiscal year. The money will be used to build roads, houses, airports, railroads, and sewers, all of which are badly needed in Japan.

The actual boost to the economy, however, will be much smaller than the Y10,700bn – 2.3 per cent of GNP – total package expenditure suggests. Spending from the postal saving system – one of the government's most important sources of domestic finance – for example, involves only a redirecting of money towards special lending programmes, such as low interest loans for small business, not new money. Several thousand billion yen which will go towards the purchase of land will not make a direct contribution to growth.

The government hopes that the package will boost the economy by 2.4 per cent in the 12 months from October, when a supplementary budget will be enacted to raise the finance to pay for the measures.

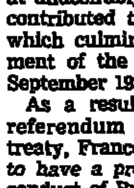
Yet the spending programme offers nothing in the short-run for Japan's most famous and internationally successful industries – its car and electronics companies. Nissan, Toyota, Honda and Japan's eight other vehicle makers all have overcapacity that needs to be chopped ruthlessly

These companies, and hundreds of their suppliers will remain under pressure to cut investment and wages and reduce employment in the months ahead. Mr Paul Summerville, economist at Jardine Fleming, expects 500,000 manufacturing jobs to be slashed in the next 12 months. Even if employment increases in other sectors of the economy, as the spending programme takes effect, the difficulties in the manufacturing sector will continue to send shivers down the spines of consumers, government officials and the stock market.

PERSONAL VIEW

France to the rescue

By David Hale



When the financial history of the 20th century is written, French and British disagreements about how to manage the Germans are likely to rank high on the list of factors which contributed to international monetary crises.

During the inter-war years, France was so determined to inhibit German recovery that it used the threat of gold withdrawals from London to discourage Britain from reducing Germany's war reparations burden. As Britain's balance of payments was already under strain, because of the decision to return to the gold standard at an overvalued exchange rate in 1925, such French monetary mischief forced Britain to keep interest rates at undesirably high levels and thus contributed to the economic crisis which culminated in the abandonment of the gold standard during September 1931.

As a result of the forthcoming referendum on the Maastricht treaty, France is poised once again to have a profound impact on the conduct of British economic policy. But in contrast to the deflationary bias of French policy during the early 1930s, the Maastricht referendum provides France with an opportunity to break the exchange rate mechanism's monetary gridlock, which is now strangling the British economy and retarding growth elsewhere in Europe.

If France votes against the Maastricht treaty, there would be so much turmoil in the currency markets that European governments would have a politically convenient excuse to accept the ERM realignment that should have occurred at the time of German unification. Such a realignment would then set the stage for a significant decline in the level of interest rates throughout Europe.

As in the inter-war years, French relations with Germany have played a big part in creating the current European economic crisis. The French political elite has been among the strongest advocates of European monetary union, because it views this as additional reinforcement for creating strong European federal institutions to control unified Germany.

But while such attitudes are historically understandable, they have encouraged France to adopt a policy towards exchange rate realignment that has crippled the process of economic adjustment in Europe. As a result of France's opposition to any form of comprehensive D-Mark revaluation, Europe's exchange rate target zones have increasingly become a political totem promoting competitive deflation rather than a clearing price for goods and capital maximising European trade and output.

The fact is that Germany has needed far more exchange rate flexibility since 1989 than the ERM permitted. Since unification, the government deficit has expanded from barely 1 per cent of gross national product to about 7 per cent and the large pre-1989 current account surplus has disappeared. Germany has been reliving the Reagan fiscal experiment under the constraint of a semi-fixed exchange rate system despite the need for significant real exchange rate appreciation to reallocate resources from its tradeable goods sector to government consumption.

In countries with weaker central banks than Germany's, such an adjustment in the real exchange rate would have occurred through higher inflation. But because of the Bundesbank's determination to contain inflation, Germany has experienced a large rise in real interest rates, not the real exchange rate. The D-Mark's real exchange rate has risen by only 5 per cent since 1989 compared with more than 30 per cent for the dollar during the early Reagan years.

The British government was aware of the financial strains created by German unification when it joined the ERM, but it clearly underestimated the economic trade-offs they would pose compared with the perceived political benefits of being an ERM member. The results of this error are clearly apparent. The level of real interest rates is approaching 7 per cent despite the most protracted recession since the 1930s, the bankruptcy of thousands of entrepreneurial companies launched in the Thatcher years, severe real estate deflation, and a rapidly growing stock of non-performing bank loans. Britain's current account deficit is also at such high levels that the country will soon be an external debtor, despite the large accumulation of overseas assets which followed the North Sea oil boom of the early 1980s.

UK INTEREST RATES
Before and after the fall of the Gold Standard

Date	Bank rate Low	Bank rate High	Bank rate Average
1930	3.0	3.0	3.41
1931	2.5	5.0	4.13
1932	2.0	6.0	3.01
1933	2.0	6.0	2.0
1934	2.0	2.0	2.0
	Bank yields Low	**Bank yields High**	**Bank yields Average**
1930	4.22	4.74	4.46
1931	4.11	5.05	4.53
1932	3.18	4.60	3.76
1933	3.24	3.56	3.38
1934	2.68	3.38	3.08

Source. Sidney Homer, The History of Interest Rates

The deflation occurring in the British economy will ultimately create the preconditions for improved competitiveness and economic recovery, but probably not until the second half of the 1990s. As a result, the UK government deficit is likely to rise to 6 to 7 per cent of gross domestic product this year and remain there for much longer than official forecasters now recognise, despite the Maastricht requirement that public sector deficits converge towards 3 per cent of GNP during the mid-1990s.

Britain's forced convergence with German fiscal policy will help to compensate for the weakness occurring in private investment, but these large new budget deficits will be far less stimulative than the interest rate decline and currency depreciation which offset the much maligned Thatcher tax increases of 1981. The fact is that British household and corporate balance sheets differ so profoundly from Germany's that the UK cannot escape from recession until interest rates fall sharply. Such a decline will not occur until Germany also experiences a slump or the ERM is realigned.

The problem for the British government is finding a face-saving way of correcting its 1990 error. The government has invested so much political capital in the ERM that it would be impossible for it to pursue a unilateral realignment without the resignation of the chancellor. But if France votes No, the UK government will have the perfect excuse to promote the realignment of European exchange rates which the Bundesbank itself advocated more than two years ago.

How would the financial markets react to such a development? Perhaps the most instructive guide is how they reacted to Britain's decision to abandon the gold standard in 1931. As the gold standard had been the dominant monetary regime for several decades previously, the psychological trauma associated with the decision to abandon gold greatly exceeded the trauma which would follow a decision to realign the ERM.

The authorities themselves were so apprehensive about the risk of a financial panic that they closed the London stock market for two days, but when it reopened share prices immediately rallied in expectation of an improved economy. The bond market fell initially because of concern about the threat of inflation but shortly thereafter it entered a multi-year bull market. After peaking at 5 per cent in 1931, UK government bond yields fell steadily to 3.08 per cent in 1934. Short-term interest rates also fell from 6 per cent to 2 per cent.

There is little reason to doubt that an ERM realignment would produce a sustained rally in British equity prices. The outlook for the currency and bond market would depend upon the ability of the UK government to produce a multi-year strategy for promoting economic recovery without reviving inflation. Such a programme would probably have to include a more independent Bank of England in order to ensure that monetary policy did not remain excessively stimulative after economic recovery began.

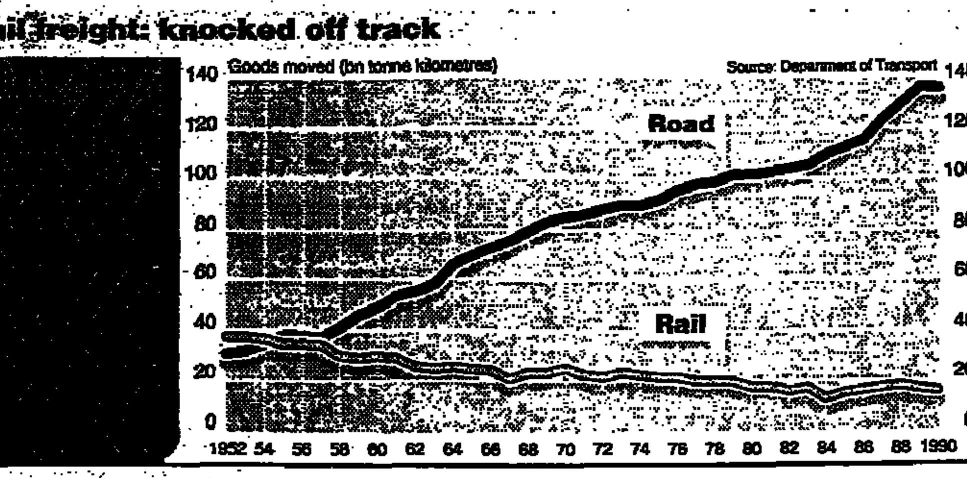
It also would be easier to revive the movement towards European monetary union later in the 1990s if the leading players had exchange rates and interest rates consistent with steady non-inflationary growth, not the disequilibria and depression which have resulted from the impact of German unification on the current system.

As a result of the previous tensions between Britain and France over the issues of Europe and international monetary relations, there is rich irony in the fact that Britain may now depend upon a popular referendum in France to correct the ERM policy error which has produced the current slump.

But the Maastricht vote will not be the first time that France has helped to inspire a benign change in Britain's monetary regime. After all, the Westminster parliament created the Bank of England during 1694 in order to finance a war with France.

The author is chief economist of Kemper Financial Companies of Chicago.

Rail freight: knocked off track



How freight hopes have finally been derailed

The collapse of Charterail last week calls into question the future of railfreight in the UK, writes **Richard Tomkins**

Last November Mr Malcolm Rifkind, then transport secretary, visited a pioneering railfreight operation called Charterail and declared: "I have seen the future and it works."

Unfortunately, he was wrong: it doesn't. Charterail, hailed by a succession of transport ministers as a revolutionary means of getting freight back onto the railways, last week called in the liquidators. The question left in the wake of its collapse is whether rail has any future as a means of carrying freight in Britain.

One reason why the question deserves an answer is that there is a near-universal desire to see freight switched from road to rail. Lorries are noisy, smelly and unsightly; they clog up the roads and frighten other road users; and the goods they carry could often be transported by rail at much lower cost to the environment.

For more than a century, between the demise of the canals and the rise of motor transport, rail dominated freight transport. Even the smallest rural town on the rail network had its goods shed or siding. Freight going from one town to another would be loaded into a rail wagon and hauled to a marshalling yard, where it would be assembled into a train with other wagons going in the same direction and eventually delivered to its destination.

The trouble with this kind of operation was that it consumed vast resources. A locomotive and crew were required to get the wagon from the town to the nearest marshalling yard; vast tracts of land, locomotives and manpower were required to operate the marshalling yard itself; and a wagon might have to go through the marshalling process at several different yards before being delivered by another locomotive and crew to its ultimate destination.

Road transport, once it had got into its stride, was easily able to outstrip railfreight on both speed and price. All the road transporter needed was a driver and a lorry to pick up the goods and take them directly to their destination. By 1955, road had replaced rail as the main means of inland goods transport. It has been widening the gap ever since.

Today, operating without the benefit of state subsidy, British Rail's loss-making freight operations have been pruned to the point where they play an almost insignificant role in the transport of goods. The few remaining areas where they still give road transport a run for its money are mainly in the point-to-point delivery of trainloads of goods going directly to a single destination: for example, coal going from coal mines to electricity power generating stations, or containerised goods going from ports to inland distribution centres.

Under growing environmental pressure, successive UK transport secretaries have expressed a desire to reverse railfreight's seemingly terminal decline. The difficulty is that most goods have to start and end their journey by road, which means incurring heavy handling costs at the start and end of the rail section of the journey. So great are those costs in relation to the total that they can only generally be justified over distances of around 200 miles or more, where rail's greater speed comes into play. In a country as small as Britain, the average journey length is much shorter than this.

The revolution Charterail offered was to bring handling costs down by introducing special road trailers that could be driven straight onto swivel-action rail wagons without the need for costly lifting equipment. The consequent reduction in handling costs should have made rail competitive over shorter distances.

Operationally, Charterail's services were a success. The experiment failed because Charterail could not make the business pay in the face of cut-throat competition with road transport. The main reason for that, the company said, was that it relied on British Rail not just for the use of its railway tracks, but for the supply of locomotives and crew; and it could not afford the rates BR was charging for the total haulage package.

The failure of the Charterail experiment paints a gloomy picture of the outlook for railfreight. The so-called intermodal transport service it offered was regarded as the best last hope for the revival of domestic railfreight in Britain. As a private company - albeit 22 per cent owned by British Rail - it was also held up as an example for other private sector freight operators to follow.

On the face of it, it might seem that the prospects for operations like Charterail's would improve after privatisation. Charterail, after all, claimed that excessive charges by BR were to blame for its demise. In a privatised environment, the railways' new owners might prove more responsive to the market.

British Rail's pruned freight operations play an almost insignificant role in the transport of goods

Unhappily, it will not quite work like that. Under the plans currently proposed, BR will remain owner of all Britain's railway tracks after privatisation. Even if freight train operators like Charterail are able to supply their own locomotives and crew, they will still have to pay whatever BR asks for the use of its tracks: and these costs seem likely to go up rather than down.

This is because BR's present method of charging an extra train to run on its tracks is a somewhat arbitrary one based on the marginal extra costs it incurs as a result of the presence of the train. After privatisation, BR – or Railtrack, as it will then be called – will be required not only to introduce a system of charging every train operator the full commercial cost of its use of the tracks, but also to charge enough to deliver an 8 per cent return on its assets.

Higher track charges seem inevitable, with obvious consequences for railfreight. Even under the existing regime, BR's Railfreight Distribution subsidiary contrived to lose £118.7m on turnover of £174.9m in the year to March; so although the private sector might be expected to be rather more effective at making freight profitable than BR, the implication is that there is a lot more pruning yet to come.

One compensating factor is that the opening of the Channel tunnel will open up new opportunities for railways to attack the market in long-distance freight to and from the Continent, where rail's speed advantage over road will come into its own. But Continental freight represents only a tiny proportion of Britain's total. The rest seems destined not only to stay on the road, but to grow at rail's expense.

The process is not necessarily inevitable. Environmentalists and the rail lobby point to a sharp disequilibrium between charges to road users and rail users. For a lorry owner, access to the roads, in the form of the annual vehicle licence fee, typically represents only 4 per cent of total operating costs, while for BR, track costs amount to 48 per cent of the total.

The playing field could be levelled by one of two means. Railways could be made like roads by giving train operators free access to them on payment of an annual licence fee. Alternatively, roads could be made like railways by introducing heavy charges for their use through some form of electronic road pricing. Either, however, would take an act of considerable political courage. Neither seems forthcoming.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Baccalaureate preferred to A-levels

From Mr Geoff Bush.

Sir, As the parent of a recent international baccalaureate student I think Andrew Adonis' contacts ("Not always a class act", August 21) dismiss the value, potential and the recognition of the IB too easily.

The IB syllabus is wider and more up to date than A-levels. This is recognised by many parents wanting their children to be better equipped. The same is true of many universities, including Oxbridge, which value the wider and more rounded perspective of the IB student.

I asked the headmaster of an A-level public school why his school did not offer the IB option and was given a surprisingly unenterprising answer: "Because there is only room for one IB school in Kent."

If there is a problem with recognition of the IB it lies not with the parents or the universities. Rather, it lies with schools and the appallingly low level of promotion by the IB authorities.

Geoff Bush,
9 Westville Road,
Thames Ditton,
Surrey KT7 0UH

Selling Czechoslovak privatisation short

From Mr Wolfgang Lafite.

Sir, Before dismissing the progress made in Czechoslovakia (Leaders, "No free lunch", August 21) there are a number of matters you should consider.

Mass privatisation has been implemented this year against the background of economic stability and the rule of law. Reforms to this end have been effective but painful, with living standards dropping by more than 10 per cent. This is certainly no "free lunch".

Privatisation gained political acceptability through relentless promotion by domestic politicians, including its champion, Mr Vaclav Klaus.

I agree that some promises made by fund managers to attract the vouchers of citizens cannot be met. This may well undermine the confidence of the population in fund managers, but not in the whole system of mass privatisation. Yet fund managers triggered the correct conviction among people that the vouchers represented value – albeit not as great as some operators suggested. And some 8.5m citizens, almost 80 per cent of those eligible, participated.

It is true that most fund managers are not experienced – the fund managed by our group is the largest foreign operator, the sixth largest in the Czech Republic – and initial confusion was inevitable. But accountability of management to shareholders will increase; restructuring of companies by shareholders' syndicates involving foreign partners with cash and management expertise will occur; and a heavy dose of entrepreneurship is about to enter the system. A stock market is emerging, and we believe prevailing liberalism and low prices will attract investors. You may scoff at some companies on offer, but don't sell the whole system short.

Wolfgang Lafite,
managing director,
Creditanstalt Investment Bank AG,
A-1011 Vienna,
Austria

End copier anti-dumping duties

From Mr Simon Holmes.

Sir, As a lawyer for a Japanese photocopier manufacturer accused of "dumping" in the EC, I would like to comment on your "Copier makers still fighting Japan" (August 25).

The Commission makes findings of dumping in situations which no independent observer, and few economists, would consider dumping. For example, in the original 1985 investigation, many Japanese companies' prices on the EC market were considerably *higher* than prices in Japan. Despite this, the Commission awarded my client a dumping margin of some 35 per cent.

The advantages of copiers made by Japanese owned companies flow from the efforts to improve production processes and reduce costs – which are passed on to users.

Every industry has to remain innovative to be competitive, and anti-dumping measures are no substitute for competitive practice.

You rightly observe that "the most important question" is whether it is in the "Community's interest" to continue imposing duties on Japanese photocopiers. Rank Xerox, Océ and Olivetti/OCI now represent about a quarter of total EC production. If anti-dumping duties are imposed to enable them to increase their prices and profits, the rest of the industry (largely Japanese owned) will be able to follow suit.

This means that, for a given benefit to the complainants, the burden on European users of photocopiers is magnified several times.

Sir Leon Brittan, the EC competition commissioner, said in November last year that anti-dumping duties in the original photocopier case cost EC consumers "over Ecu400m a year, which is twice the value of the total production of the European companies which had sought protection".

The EC should now let the anti-dumping duties on copiers die a graceful death.

Simon Holmes,
118 Avenue de Cortenberg,
B-1040 Brussels,
Belgium

Insulting by numbers

From Mr Khalid Aziz.

Sir, Pakistanis' dislike of the number 420 (Observer, August 24) is based not on any code describing swindlers but on Pakistan's criminal code, where the relevant clause is, indeed, number 420. About the worst you can say of a businessman is that he is a *char sau bees aadmi* – a 420 man.

Perhaps, in view of the difficulties on the UK financial scene in recent years, one might be able to refer to relevant clauses from the Financial Services Act or other laws to describe dubious individuals one encounters!

Khalid Aziz,
chairman,
Aziz Corporation,
West Stratton,
Winchester SO21 3DR

Caribbean banana exports need British protection

From Mr Cowan Coventry and Ms Jenny Borden.

Sir, Your article, "Latin American banana producers attack EC quota plan" (August 20) ignores the critical importance of this issue for the economies and people of the eastern Caribbean.

Latin American banana producers have legitimate concerns about restrictions on their banana exports in the EC system. But the interests of Caribbean exporters in maintaining their preferences must not be overlooked.

Dominica, for example, would stand to lose 70 per cent of export earnings and employment for half its workforce if, as the US and Latin American exporters insist, the existing system of preferences is withdrawn.

Britain has a special responsibility, both because it is the main protected market for Caribbean exporters and because it is president of the European Community.

It should use this authority to protect the interests of Caribbean exporters. It should also press for aid to help Caribbean efforts at diversification out of banana production.

Trade preferences for Caribbean banana producers may conflict with the EC's obligations to the General Agreement on Tariffs and Trade (GATT). But surely this merely underlines the inadequacies of a treaty which places the principles of free trade above the interests of vulnerable communities?

Cowan Coventry,
area director,
Latin America
and the Caribbean,
Oxfam;
Jenny Borden,
deputy director,
Christian Aid

Victims of slump in UK housing market need urgent help

From Mr Richard Hilken.

Sir, I am disappointed to hear the chorus of bank and building society chairmen calling for measures to stimulate the housing market. The problem with this market is that, in spite of the decline, it is still too stimulated. House prices are too high in relation to earnings. Too high a proportion of our capital is tied up in overvalued property, so preventing it from being used as security for other investments.

What we should be looking for is a way to protect the victims of the slump while allowing the fall in prices to continue and not encouraging more rises in earnings.

Of the groups needing protection, occupiers seem to be attracting more sympathy – although their motives for over committing themselves may not have been different from those of the over-keen lenders. They should not now be rewarded for greed or protected from the consequences of folly.

The Rowntree Foundation's proposal of selective support for interest payments may provide one short-term solution; another may be to limit the freedom of mortgagers to evict to those cases triggered by fraudulent behaviour rather than misfortune.

There would have to be matching protection for lenders. Here the issue is their solvency. It should not be impossible to devise a guarantee allowing these lenders to continue trading with part of their portfolio frozen but secured by government. Such support should be linked to the relationship between house prices and earnings.

The present situation in which revenue subsidies are spent annually to prop up house prices is unsustainable and, in the case of much mortgage interest tax relief, unjust.

Richard Hilken,
chairman of trustees,
Quaker Housing Trust,
Friends House, Euston Road,
London NW1 2BJ

OBSERVER

A room with a message

■ Dan Pena is one American entrepreneur it is almost impossible to get rid of. Having been edged off the boards of two companies most executives could be forgiven for entertaining some self-doubt. But not 46-year-old Dan.

The former president and chief executive of Great Western Resources is making the most of his latest setback. "My entire life both personal and professional, has been built upon the crushed bones of those who continued to remind me, 'Dan, you can't do that'," says Pena.

No surprise then that Pena's latest venture is a series of "You Can't Do That!" executive seminars in the academic serenity of his 525-year-old Scottish castle. The title will be especially meaningful to Pena's fellow visionaries who remember his tenure at GWR, where his expenses claims and company loans sparked a shareholder rebellion last year.

The week-long seminar will focus on "what they didn't teach you in graduate school and what you may not have encountered in the real world". Course work will range from a "few things every entrepreneur needs to know about financials" to "great advice metered out in the men's room".

The advice doesn't come cheap. For $13,000 Pena can offer six nights in his Ghost Suite, complete with haunt. However, he's throwing in a black tie dinner with Angus's landed gentry. And in case clients doubt what Dan Pena thinks about Dan Pena, the mailing shot includes his memorable line, "I'm doing so well, if I were doing any better, I should be investigated."

Goode thinking?

■ Whatever happened to Professor Roy Goode's Pension Law review committee? It is nearly three months since the Government set up the review in the wake of the Maxwell affair and not a peep has been heard out of it.

The committee was given 12 months to produce its report, although if the committee felt that changes should be initiated urgently, it would produce interim findings before publishing its formal report. At the end of June a consultation paper was promised "within a few weeks". But so far nothing has been heard of the good professor and his plans for conducting public hearings. It is a hideously complex subject with a lot of big, vested interests to be tackled, but it all seems to be taking a long time.

Time was when occupational pension scheme members meekly accepted what the trustees judged fit. However, the decision of some Lucas Industries' pensioners to sue the trustees of the company's £2bn pension fund, is yet another example of the growing restiveness about the role of pension fund trustees.

Wide

■ So three of central London's local authorities have finally got their act together and are planning to establish a joint promotion centre. Its brief: to sell the capital, especially to foreigners who want a phone number for "London".

Just one problem, the proposed location: New Zealand House. More fitting names on a postcard, please.

No rationing

■ The opening of the Non-Aligned Movement conference in Jakarta prompts recollections of an earlier event stage-managed by the Indonesians to commemorate the founding Bandung conference in 1955.

In 1985 several aging statesmen, who had attended the original conference, gathered again in the hills above Jakarta. Among them was a frail, but mentally alert delegate from Sri Lanka. He congratulated the Indonesian foreign minister on

the excellence of the reunion but had one minor quibble. "In 1955 your then President, Mr Sukarno, looked after our every need."

"Indeed?", said the Indonesian official.

"Yes sir. He even supplied special coupon books by which we were able to, how shall I say, avail ourselves of the services of certain charming young ladies who were in attendance at the conference."

"And did you use the coupons?" asked the Indonesian.

The Sri Lankan gentleman extended his now bent frame to its maximum height. "Every last one sir!"

Quiet exit

■ Daniel Ludwig, who died last week at the grand old age of 95, was an unusual tycoon. In his hey-day he was an even more important figure in the international shipping industry than Paul Getty or Armand Hammer were in the oil industry, and yet he never craved respectability like they did. He was in business to make money and seemingly couldn't care less what people thought of him.

He had been in the shipping industry longer than either the late Aristotle Onassis or Sir Y K Pao and led the development of the super-tankers. At its peak, Ludwig controlled a fleet of around 4.35m tonnes. However, unlike several of Europe's shipping families, such as the Cayzer's, Niarchos's and Mollers, he seemed unable to protect his huge fortune by diversifying successfully away from shipping.

As a result there is a danger that he will be remembered more for ventures such as his ill-fated Amazonian Jari project and investment in failed US thrifts, than for his contribution to the devlopment of world shipping.

Ludwig was more invisible than most billionaires. However, a few anecdotes survive. One of the more memorable concerns a ship which Ludwig had used as security for a bank loan and had gone missing in a hurricane.

"How's my collateral?", a worried banker asked Ludwig. "When we find the godamn thing I'll let you know," replied the tycoon.

The Hon thing

■ "My father has recently been made a life peer and I am wondering how I can best take advantage of my own status as 'The Hon'. I understand it is wrong for me to be addressed as 'The Hon' anywhere except on an envelope and I find this rather depressing. Can you advise me on how to exploit the title more fully," asks an anonymous reader of The Spectator in a letter to Mary Killen, the magazine's agony aunt//etiquette referee.

Surely this can't be a planted question by The Spectator's young editor, Dominic Lawson, son of the newly enobled Baron Lawson of Blaby.

Overdue

■ Definition of a lawyer:
Someone who makes sure he gets what's coming to you.

FINANCIAL TIMES
Tuesday September 1 1992

UN report says Serbs to blame for most human rights abuses in Bosnia

Action urged on 'ethnic cleansing'

By Frances Williams in Geneva

IMMEDIATE and concerted international action is needed to curb "massive and grave violations of human rights" in Bosnia-Hercegovina and elsewhere in the region, the UN human rights investigator for former Yugoslavia urged yesterday.

In a report released yesterday, Mr Tadeusz Mazowiecki, a former Polish prime minister, says such violations are principally the result of the "ethnic cleansing" policy operated by Serbs in areas of Bosnia and Croatia under their control.

Harassment, discrimination, the destruction of homes and mosques, as well as detention, torture and killings are used to *enforce the policy, the report says.* Moslems are the main victims.

The shelling of population centres and the shooting of civilians in besieged Bosnian towns – Sarajevo, being the best-known example – were the "greatest threat to life" at the moment. But, the report warns, if the sieges are not lifted before winter, "massive numbers" could die from malnutrition, illness and exposure.

Mr Mazowiecki says there is no evidence that Serbia, or the rump Yugoslav federation which links Serbia and Montenegro, has tried to stop "ethnic cleansing" in Bosnia, where they "clearly exercise very great influence".

On the contrary, he warns that *the "most violent forms" of "eth*nic cleansing" may be imminent in the Serbian provinces of Kosovo, Sandzac and Vojvodina where there are large communities of, ethnic Albanians, *Moslems and Hungarians* respectively.

The report, which was circulated to the 53-member UN Human Rights Commission at the weekend, says the "multiplicity" of international activities in the former Yugoslavia has limited their effectiveness in helping victims of human rights violations.

Its main recommendations include:

- An extended mandate for Unprofor, the UN protective force now confined to Sarajevo and Serb-controlled *areas* of Croatia, to report on, stop and assist victims of human rights abuses throughout Bosnia-Hercegovina.
- The establishment of an international war crimes tribunal to *investigate "mass and flagrant"* human rights violations; the stationing of human rights monitors throughout the former Yugoslavia, and a guarantee that all victims of "ethnic cleansing" will *have the right to return* home under international supervision.

Mr Mazowiecki, who was appointed in mid-August, has gone further than any UN official so far in blaming Serbs for most of the atrocities in Bosnia. During his brief first visit to the region last week, he says he *found no evidence to* back Serbian claims of "ethnic cleansing" by Moslems.

Discrimination, harassment and maltreatment of ethnic Serbs in Croatia – "however repugnant" – *cannot be compared* with the "systematic use of violence employed against ethnic Croatians and Moslems in Bosnia and Hercegovina", he adds.

Other recommendations of the *report include the implementa*tion of accords that were adopted at last week's London conference on former Yugoslavia *to* neutralise heavy weaponry and dismantle the internment camps; the UN-su*pervised disarmament of* irregular forces and civilians in the region, and mechanisms to establish the fate of thousands of people who have "disappeared" in the conflict.

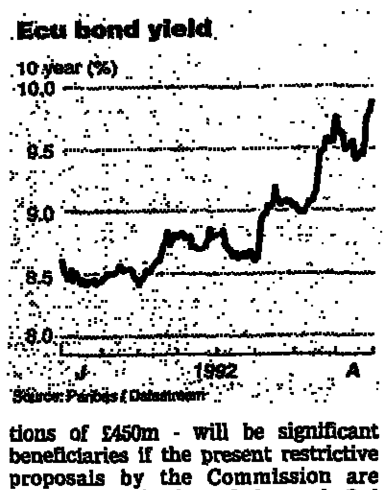
THE LEX COLUMN

Anxiety for the Ecu

There must be some doubt as to whether the Ecu bond market will ever fully recover following a second liquidity seizure inside a month. Agreement among market makers on wider dealing spreads restored a fragile equilibrium the first time around, but the imbalance of buyers and sellers last week risked inflicting damage beyond repair. Institutional investors *will be slow to forgive.* Having watched market makers pile into Ecu bonds and launch a record volume of new issues last year, it can hardly be edifying to see them now refusing to trade.

To be fair, extreme volatility has always been a feature of the Ecu market. Yields are not anchored to any set of domestic economic fundamentals, so shifts in sentiment have a disproportionate effect. Mathematics dictate *that Ecu bonds offer value when the* yield rises above a theoretical level, calculated from the underlying bond markets of countries which make up the Ecu currency basket. But this complex method of valuation has counted for little since the future of European monetary union was called into question by the Danish referendum. At the 10-year maturity, Ecu bonds now yield a full ¼ percentage point more than theory suggests they should.

The future now turns on the outcome of the French vote. One might argue that monetary union has already been factored out of Ecu bond *prices, but a 'non' vote will cast doubt* on the future of the Ecu as a financial medium. Ecu bonds will retain some value as a natural currency hedge, but the market could be relegated to little more than a curiosity. Perhaps the biggest hope is that European central banks – ironically, the Bank of France is chief among them – have invested a great deal of credibility in the Ecu market. If the French vote 'oui' on September 20, there will be some powerful interests vested in restoring order.



Source: Paribas / Datastream

Bananas

*Decisions by the Brussels competi*tion authorities routinely influence stock markets. Maastricht deliberations apart, however, the EC will seldom have a better chance to move share prices than over the next two months when reform of the EC's banana import regime moves to the top of the Council of Ministers' agenda. Geest and Fyffes - UK importers with combined market capitalisations of £450m - will be significant beneficiaries if the present restrictive proposals by the Commission are *adopted; Chiquita, Dole and Del* Monte, multinationals currently engaged in a fierce price war in Germany and other continental markets, will be big losers if, as many assume, their rearguard action for free trade fails to win the day.

There is no single EC market at the moment in bananas. Each member state has its own arrangements, though there are broadly three different systems: protected markets(France, Italy, Portugal, Spain and the UK) primarily supplied by former colonies; freer markets in which banana imports from non-preferred sources are subject to a 20 per cent tariff but *no quantitative limits; and Germany,* where all bananas enter duty-free. The idea as put forward by Brussels is to secure continued, unhindered access for the guaranteed growers – the likes of the Windward Islands and Guadeloupe – while setting an overall EC quota of 2m tonnes for those now supplying the freer markets, predominantly Latin American (or so-called dollar) producers.

Vested interests on both sides are powerful, but the protectionists look to be winning the battle. They have exploited Brussels' knee-jerk anti American instincts – depicting a free market dominated by US multination*als – and convinced policymakers* that without a helping hand some of the world's poorest economies will collapse. Geest has played a leading part in the lobbying, and its decision to sink an estimated £100m into new Costa Rica banana capacity means that the level of its future profits is resting heavily on the outcome. As the proposal stands, besides the safeguarding of its Caribbean supplies the company will be allowed a good crack at importing "dollar" bananas.

Considerable arm twisting may yet be required to convince the liberal majority to go along with the Commission's plans, while Britain's position in the protectionist camp may prove an embarrassment during its EC presidency and at such a critical stage in the Uruguay Round.

British Gas

With the Monopolies and Mergers Commission investigation into British *Gas, the outlook for the shares is very* uncertain. But investors can try to estimate what the shares would be worth under various possible outcomes, assuming that the government's doctrine of increasing competition is used as the *MMC's guiding principle. One way to achieve this* would be to split British Gas into a tightly regulated pipeline business, which is a natural monopoly, and a number of marketing companies which could compete to sell gas.

If the marketing businesses are assumed to earn returns similar to that of the regional electricity companies, and the pipeline company is allowed a higher rate of return than currently, then the value of breaking up British Gas could be over 300p a share. But there are problems. At present there is no sign that a demerged British Gas would be allowed to earn higher rates of return.

Another approach, similar to that agreed with the Office of Fair Trading this year, would be to allow British Gas to remain intact, but separate its pipeline and marketing operations by internal Chinese walls, with outside companies providing competition in marketing. British Gas has already lost a substantial part of its firm contract market. Once again, unless the company were allowed to earn higher returns from the pipeline operation, the profits outlook would be poor and might not justify the current 240p share price.

One difference between the two models is the ability to cut costs – a *demerged company would have higher* overheads, whereas British Gas as a single unit might axe regional centres. That pulls the two valuations closer together, but the central question remains the level of allowed earnings. Competition can only be encouraged through higher gas prices or slimmer profits on the pipeline. There can be little doubt which the government will choose.

ICL wins Brussels research contracts

By Alan Cane

ICL, the UK-based computer *manufacturer, has overcome the* politically sensitive issue of its Japanese ownership to win a number of important European Commission research contracts.

The projects are chiefly concerned with the development of "intelligent" computers which appear to reason like humans. Computer experts believe that such "thinking machines" will be commercially available well before the turn of the century.

The chief purpose of the research is to strengthen European computer manufacturers' competitiveness with rivals in *Japan and other countries.*

Siemens of Germany, Olivetti of Italy and Groupe Bull of France opposed the awarding of contracts to ICL on the grounds that it is Japanese-owned. But over the past two years, since its purchase by Fujitsu of Japan, ICL has re-established its European credentials by staying at arm's length from its new owner and maintaining its position as a leader in technological research.

There has also been a change of mood in Brussels, with the recognition that fortress Europe is no longer feasible and an accep*tance that the EC's members* need ICL's input.

Success in bringing intelligent computers to the market first could give European manufacturers a chance to retrieve their failing fortunes in the global computer business.

One of the contracts ICL has been awarded is concerned with research critical to the future of Jessi, the European microchip programme from which the UK company was partially excluded two years ago after its purchase by Fujitsu. The Japanese company owns 80 per cent, with Northern Telecom of Canada owning the remaining 20 per cent.

So far ICL has been awarded five contracts in the latest phase of Esprit, *the European Pro*gramme for Research *into* Information Technology, worth a total of about £1.5m ($2.97m) to the UK company. It expects to be awarded a further five or six. The value of the contracts, however, is unimportant compared to the tacit acceptance of the company as a full member of the European computing community.

Esprit, established in 1982, is the commission's principal research effort in advanced computing. It allocated research funds to the value of Ecu1.6bn between 1987 and 1992. The Commission pays 50 per cent of companies' costs. Esprit is concerned with precompetitive research – developing basic technologies on which individual companies can build competitive products. It was set up in response to the Japanese "Fifth Generation" proj*ect, a multimillion dollar plan to* co-ordinate research between Japanese electronics companies and academic institutions to develop computers with human reasoning powers.

Brazil's president Fernando Collor waves to the press as he arrives at the presidential palace

Collor pleads innocence and resists calls for resignation

By Christina Lamb
In Rio de Janeiro

EMBATTLED Brazilian president Fernando Collor has gone on the attack with a broadcast to the nation in which he pleaded his innocence of massive corruption charges and made clear that he will continue resisting all pressure to resign.

"Those who think they can prematurely end my mandate as president are fooling themselves," he insisted in his first nationwide address since the conclusion last week of a three-month congressional investigation which accused him of involvement in a multi-million-dollar corruption scheme.

Mr Collor's defiance means there will be no early end to the crisis. His insistence on staying *in power caused the stock mar*kets to open 4.6 per cent down. By lunchtime the main São Paulo index had fallen 7.7 per cent.

Denying the charges Mr Collor said: "We all make mistakes. Mine was to underestimate the intentions of profiteers."

He attacked his rivals in Congress for blocking his modernisation programme and accused them of trying to "sabotage my mandate in 10 days when 558 days was not sufficient for them to approve legislation to modernise the port system". He said his mandate would not be over until all his projects had been passed.

Mr Collor's defiant speech came amid mounting pressure from within his own government to oust him, new charges against the first lady and the emergence *of further evidence linking him* to Mr Paulo Cesar Farias, the businessman accused of masterminding the racketeering.

Most reactions were negative. "It was too little too late," said Mr Bolivar Lamounier, a political scientist.

Mr Jorge Bornhausen, Mr Collor's political co-ordinator, said he was considering resigning because of the president's refusal to incorporate in his speech suggestions from the Liberal Front, the main pro-government party.

A formal request for impeachment will be made this afternoon to Mr Ibsen Pinheiro, *president of* Congress. Opposition leaders say they already have more than the 336 votes necessary for the process to be admitted.

Mulroney to call referendum on constitutional shake-up

By Bernard Simon in Toronto

CANADA'S prime minister, Mr Brian Mulroney, is expected to call a national referendum in the next few days, in the hope of speeding ratification of proposals for a new national-unity constitution.

The constitutional proposals, the most sweeping since the formation of Canada 125 years ago, have recently received two important endorsements.

Quebec's ruling Liberal party gave its overwhelming support to *the package at a special conven*tion in Quebec City.

In addition, the federal New Democratic party, one of two national opposition parties, has decided to campaign in favour of the constitutional proposals.

The most likely date for the referendum, which would be the third in Canadian history, is October 26.

The only strident opposition to the constitutional package so far has come from Quebec separatists.

Before last weekend's Liberal party convention, opinion polls showed Quebecois split almost evenly between supporters and opponents of the package, but with a large pool of undecided voters.

The constitutional proposals, settled at a meeting of federal and provincial leaders on Prince Edward Island late last week, are a careful compromise between Quebec and the rest of the country. No region or population group has been able to claim that it is either an outright winner or loser.

Key elements of the package include converting the Senate, the upper house of parliament, from an appointed to an elected body; guaranteeing Quebec at least 25 per cent of seats in the House of Commons; granting a limited form of self-government to aboriginal people; and transferring various powers from federal to provincial jurisdiction.

Speculation is mounting that *Mr Mulroney, prime minister* since 1984, may resign if he succeeds in pushing the constitutional package through a referendum and ensuring ratification by provincial legislatures.

World Weather

		°C	°F
Ajaccio	F	28	82
Algiers	S	32	90
Amsterdam	F	16	61
Athens	S	31	88
Bahrain	S	35	95
Bangkok	F	34	93
Barcelona	S	26	79
Beijing	C	28	82
Beirut	S	30	86
Belfast	F	12	54
Belgrade	S	31	88
Berlin	C	18	64
Biarritz	C	15	59
Bombay	F	28	82
Bordeaux	F	15	59
Boulogne	R	12	54
Brussels	F	17	63
Budapest	S	28	82
Buenos Aires	R	15	59
Cairo	S	34	93
Cape Town	F	18	64
Caracas	F	29	84
Casablanca †	S	23	73
Chicago †	S	12	54
Cologne	F	14	57
Copenhagen	F	17	63
Corfu	S	31	88
Dallas †	C	23	73
Dublin	F	15	59
Dubrovnik	-	-	-
Edinburgh	F	13	55
Faro	F	24	75
Florence	C	25	77
Frankfurt	R	13	55
Geneva	C	20	68
Gibraltar	S	27	81
Glasgow	R	11	52
Helsinki	F	16	61
Hong Kong	F	33	91
Innsbruck	F	24	75
Inverness	S	13	55
Islamabad	F	35	95
Istanbul	S	26	79
Jakarta	R	30	86
Johannesburg	S	19	66
Lisbon	F	24	75
London	F	14	57
Los Angeles †	S	17	63
Luxembourg	F	12	54
Madeira	C	25	77
Madrid	F	21	70
Majorca	S	29	84
Malaga	S	32	90
Malta	S	31	88
Manila	C	31	88
Melbourne	C	14	57
Mexico City	C	25	77
Miami †	S	26	79
Milan	C	24	75
Montreal †	F	17	63
Moscow	S	28	82
Munich	S	26	79
Nairobi	F	18	64
Naples	F	28	82
Nassau	F	32	90
New Delhi	F	34	93
New York †	C	23	73
Nice	C	26	79
Nicosia	S	31	88
Oporto	F	20	68
Oslo	F	16	61
Paris	R	13	55
Prague	S	26	79
Reykjavik	F	11	52
Rhodes	S	29	84
Rio d'Janeiro	F	31	87
Rome	S	27	81
Salzburg	S	25	77
S'Francisco †	C	14	57
Seoul	S	30	86
Singapore	F	31	88
Stockholm	C	15	59
Strasbourg	R	14	57
Sydney	C	17	63
Taipei	R	30	86
Tangier	C	24	75
Tel Aviv	S	32	90
Tenerife	F	24	75
Tokyo	S	31	88
Toronto †	S	13	55
Tunis	S	32	90
Valencia	F	31	88
Venice	S	26	79
Vienna	F	27	81
Warsaw	S	29	84
Washington †	F	21	70
Zurich	F	15	59

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Canon fall adds to gloom in Japan

Canon, the Japanese camera and office equipment maker, yesterday reported a 14 per cent fall to Y56.4bn ($448.4m) in pre-tax profits for the first half, while Chinon Industries, another camera maker, announced that it would withdraw from the domestic market. Page 16

Ecu bond market faces collapse

The Ecu bond market, built on the assumption of European monetary union, appears to be close to collapse, after prices dived again and liquidity evaporated last week. Page 19

Nervousness in Nordic markets

The Nordic financial markets are in a jittery state. In Sweden, a sharp outflow of currency in the middle of August forced Sweden's central bank to raise its key lending rate twice in a week. In response, neighbouring Finland's central bank raised its tender rate to prevent a currency outflow. Page 18

Pressure on UK gilts

UK gilts came under pressure last week as sterling found itself in the crossfire of turbulence in the exchange rate mechanism of the European Monetary System. Page 18

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachen Mch	700	+	28
Allianz AG	1727	+	39
Asko	675	+	15
Colonia Konzern	685	+	15
Kaufhof	440	+	11
Philipp Konzern	585	+	15
NEW YORK ($)			
Rises			
Compaq	31¾	+	1
Whirlpool	35⅝	+	⅞
Falls			
Adobe Systems	32¾	−	¼
Johnson & Jnsn	49⅝	−	½
Merck	48¾	−	⅝
Pfizer	77½	−	⅝

PARIS (FFr)			
Rises			
Audi Entrepr	695	+	75
Cogifi	310	+	16
Navigation Mixt	848	+	38
Falls			
Gal Lafayette	1921	−	81
Schneider	540	−	19
Seb SA	384.1	−	24.9
TOKYO (Yen)			
Rises			
Daiei Finance	537	+	80
Dai Nippon Cons	1010	+	150
Isetan	2890	+	440
Kitano Const	1290	+	200
Matsuzakaya	1350	+	300
Totetsu Kogyo	900	+	130

London closed. New York prices at 12.30pm.

Group owes NKr3.4bn ■ Oslo shares fall as financial sector crisis deepens

Investa seeks protection from debts

By Karen Fossli in Oslo

INVESTA, a non-listed Norwegian investment company, yesterday sought protection from its creditors which are owed NKr3.4bn ($809m) as the crisis in the country's financial sectors deepened.

The company's move inspired a 4.2 per cent fall in the Oslo bourse which closed 14.11 points down to 318.89. Den norske Bank A shares, the country's biggest bank, fell by 32 per cent to NKr2.50.

The decision to seek protection comes six days after Uni Storebrand, Norway's biggest insurer, collapsed into the hands of state administrators with debts of NKr3.6bn.

Of Investa's NKr3.4bn debt, NKr2.8bn is in short-term unsecured loans in the form of debt notes and certificates which the holding company can no longer service.

Investa's domestic investments include property, shipping and listed securities. It also holds a 34 per cent stake in Euronav, a French shipowner.

Christiania Bank, Norway's second biggest bank, said it had loan exposure of NKr1.085bn to Investa companies.

Of the total, Christiania has loans of NKr460m to Investa's holding company, NKr500m to Investa subsidiaries – of which it has collateral valued at Nkr425m – and a commitment of NKr125m to a company controlled by one of Investa's owners, which is secured by stock in the Investa group.

Den norske Bank said it had loans of NKr920m to the Investa group, of which NKr280m was to Investa's holding company.

Mr Jarl Veggan, a DnB spokesman, said that there was equity left in Investa and the bank saw a good possibility it would retrieve payments for its loans. He said Investa had said its holding company had an estimated net value of NKr600m.

Investa said yesterday: "The background for this decision is the current crisis in the short-term money market, partly caused by Uni Storebrand's suspended payments."

Ms Janne Gro Rygg, a finance ministry spokeswoman, said the Uni Storebrand crisis could have inspired caution in the short-term lending market and that this caution might have influenced the financial future of other companies.

She said that the finance ministry had been briefed on Investa's situation.

Investa said debt negotiations would have no immediate consequences for the operations of its subsidiaries which make up the group but that several creditors had called in the loans of the holding company.

Market report, Page 25
Forenende, Page 17

Seatbelts fastened for a bumpy ride

Lufthansa is facing the worst crisis of its 66-year history, writes Andrew Fisher

Lufthansa is facing the worst crisis of its 66-year history, buffetted by excessive costs, tough competition at a time of world economic weakness, and the consequences of its own over-expansion.

The German airline will today announce a comprehensive package of job cuts, fleet reductions, streamlining of routes, and other measures which it hopes will save up to DM1bn ($700m) a year from 1995. It has managed to obtain reluctant acceptance for its plans from the unions, uneasily aware that Lufthansa's existence is at stake.

Mr Jürgen Weber, the chief executive, will have been in office for a year when the Frankfurt-based airline's stringent Programme 93, worked out in the face of mounting losses, is presented today. "It's not been as I imagined it would be", he said of the rough period Lufthansa has gone through since he took over the top job.

Lufthansa's problems are partly due to the harsh economic and airline industry environment in which it is now operating and partly to the ambitious expansion by his predecessor, the prickly, overbearing Mr Heinz Ruhnau.

In the past three years, the group has increased employee numbers by 13,000 people to 62,000 (of which 50,000 are at the airline itself) and its fleet by 120 aircraft to 275.

It has added to its domestic route network, on which it lost DM350m last year, as a result of unification – new destinations in the past three years include Berlin, Dresden, and Leipzig – and spent heavily on new aircraft for all its operations, including the Condor charter line.

Group capital spending exceeded DM8bn in the three-year period.

Mr Weber, 51, is discreet about the policies pursued under his predecessor, saying only: "From today's viewpoint, we can only establish that we have too many aircraft".

Jürgen Weber: chief executive

Lufthansa

Consolidated figures	1987	1988	1989	1990	1991
Total turnover DMm	10,961.0	11,845.4	13,055.3	14,447.0	16,100.6
Pre-tax income (loss) DMm	206.9	240.9	259.8	142.4	(300.9)
Employees (annual average)	[illegible]	49,058	51,942	57,567	61,791
Seat-kilometres offered (m)	57,038.2	61,691.[illegible]	66,058.5	75,504.6	81,661.8
Seat load factor (%)	70	[illegible]	69	67	64
Number of aircraft	[illegible]	155	197	220	275

Source: Lufthansa

Moreover, in the present dire state of the industry, it is hard to sell second-hand aircraft. Those which it cannot sell are mostly parked in the Arizona desert.

This year, it is taking 26 aircraft out of service. Eleven options on aircraft for delivery next year will not be taken up and another eight deliveries have been postponed from 1993 to the following year.

It has trimmed its European capacity this year by around 11 per cent on the original plan and hopes to operate more cost effectively with its new Lufthansa Express operation on domestic routes.

All this has meant tough negotiations with unions. DAG, the white-collar union whose members include pilots, engineers, and technicians, made a big initial concession when it offered to accept pay cuts and longer working hours to help Lufthansa in its crisis.

The bigger ÖTV public sector union, representing lower paid staff, has also come round in the end to the need for sacrifices.

It is little comfort to Mr Weber that other airlines are negotiating equally bumpy squalls. In most cases, their costs are not as high as Lufthansa's.

British Airways is constantly cited as an example of how an airline can move from being fat, lazy, and unpopular to lean, efficient, and profitable. Its agreed purchase of a $750m minority stake in USAir, with which the German company also held talks, shows that Lufthansa is now in no position to take the initiative when it comes to expansion.

Lufthansa admits it could not afford the USAir price tag, though officials say they are not convinced that the airline would have been the best partner. Mr Weber also points out that British Airways had strong government support when implementing its own recovery programme.

Even so, he is on the defensive in an increasingly unforgiving market. Because of the differing terms of international airline agreements, Lufthansa says it has a raw deal on the Atlantic. Unlike British Airways, which has wide access to US destinations, Lufthansa is more restricted. Mr Weber has fulminated against the unfairness of the US-German aviation accord, urging a tougher government line.

He believes that the Bonn government is now ready, like the French, to end the bilateral deal if Washington does not offer improved conditions. If Lufthansa had similar access to the US, it would also make profits across the North Atlantic instead of losing heavily, Mr Weber says.

As it is, Lufthansa has been reducing the proportion of its total business accounted for by North Atlantic business from 30 per cent to around 20 per cent this year, cutting flights to Charlotte and Philadelphia from Frankfurt, to Miami from Hamburg and Düsseldorf, and to New York from Hamburg.

It is still looking for a partner to help it develop the US market by carrying Lufthansa passengers on to other destinations. According to Mr Weber "we are seeking a bride".

Lufthansa is also interested in link-ups elsewhere. For example, it hopes to take a stake in Malev, the Hungarian carrier. Mr Weber said: "We are no longer participating in a total struggle for market shares, but getting away from this. This means more co-operation and stakes in shared operations."

However, Lufthansa intends to be more aggressive in its marketing, drawing on its strengths of geography through its central European location, quality through its Germanic thoroughness and efficiency, and economic pull as the national airline of one of the world's most prosperous countries.

If Lufthansa's strategy works, Mr Wever hopes it will break even again after 1995. For all on board, it will be a long and tough haul.

Skanska suspends senior executive

By Robert Taylor in Stockholm

SKANSKA, Scandinavia's biggest construction and property company, yesterday accused a senior executive of unlawful foreign exchange speculation which is estimated to have lost the company more than SKr500m ($97m).

Mr Leif Ottosson, 36-year-old president of its financial subsidiary, was suspended from duties yesterday and police have been asked to investigate whether a crime had been committed.

"Through his repeated and grave infringements of established risk limits and guidelines, the president of the subsidiary has utilised the summer months for extensive speculation in foreign exchange," said Skanska. Mr Ottosson is accused of infringing company rules and procedures more than 50 times.

The company said the losses would adversely affect the group's interim results due to be published on October 19. In April Skanska said it expected its profits after financial items for 1992 "not to be below" last year's SKr1bn.

After requesting a temporary suspension of trading in its shares, Skanska said the losses came to light yesterday as senior executives were finalising figures for the interim report.

After trading resumed, the restricted shares closed down SKr3.50 to SKr68 and the free shares lost SKr3 to SKr69.

The finance subsidiary, Kapitalforvaltning, is mainly manages Skanska liquid assets, trading in securities and foreign currencies and helping to arrange outside borrowing.

Mr Lennart Hallberg, a company spokesman, said no one else was suspected to have been involved.

According to Skanska, Mr Ottosson admitted he distorted reports to the main board about activities of the finance company and changed figures in Skanska's computer.

Skanska said it tightened internal security this year to prevent this kind of manipulation. This involved weekly reports and meetings to monitor foreign exchange business but these were terminated during the Swedish summer holiday.

"It would have been impossible for Mr Ottosson to do what he did if the procedures had been in force," said Mr Hallberg. But while senior officials took their vacation, Mr Ottosson was able to operate unchallenged.

Market report, Page 25

EC turmoil gives a tonic to Swiss franc

Economics Notebook

By Ian Rodger in Zurich

A welcome whiff of the good old days has returned to Swiss financial circles in recent weeks, with the Swiss franc rising sharply in response – at least in part – to political turmoil abroad.

Early last week, Germans had to pay DM1.13 to buy a Swiss franc compared with only DM1.07 at the beginning of May. And Swiss short-term interest rates were a full 2 per cent lower than German ones.

Those of us who do not expect a German bank to block foreigners' accounts, or some other calamity to occur in Germany in the near future, may find these trends a bit mystifying.

For many Swiss analysts, however, the explanation is simple. The European Community is in such a state of turmoil that Switzerland and the Swiss franc have recovered their safe-haven status.

Perhaps the assaults on the Maastricht treaty and the European Monetary System look more spectacular when viewed from the calm banks of Lac Léman or the Zürich See than they do on the spot.

The Swiss acknowledge that other factors are at work, such as the weakening of the dollar and the sheer scarcity of francs stemming from the Swiss National Bank's very tight monetary policy in recent months.

The franc may also have benefitted from an improvement in the SNB's battered image.

In the spring, the central bank toughed out an attack on the currency, letting short-term interest rates rise above 9 per cent. This was considered brave because it courted the risk that banks would raise their mortgage interest rates. But it was a pretty minor risk.

The banks need all the public support they can muster to win a national referendum at the end of September on abolishing stamp duty on securities transactions. They would not have won many friends by raising mortgage rates.

Political events may continue to have an impact on the franc for at least the next few weeks. The snag is that they could move the currency either way.

A "No" vote in the French referendum on Maastricht on September 20 could boost the haven quality of the currency. But a "No" in the Swiss stamp duty referendum a week later – which is a strong possibility – would accelerate the outflow of financial activity.

The result of another Swiss plebiscite on September 27, on a SFr15bn ($12bn) plan to drill two new rail tunnels through the Alps, could also hurt the franc.

Switzerland's severe restrictions on alpine road traffic force more than 80 per cent of trans-Alpine freight tonnage, with its intolerable burden of noise and fumes, to move through Austrian and French passes.

Austria and France insist that if the new tunnels are not built Swiss road restrictions must be eased.

The stubborn burghers of canton Uri do not see things that way, and one can almost imagine them implementing their second world war contingency plan to blow up access to the Gotthard pass rather than tolerate more juggernauts.

Whatever happens on the political front, few expect the franc's strength to last for long.

The Swiss economy has been in recession since the fourth quarter of 1990 and most economists, in the wake of the July discount rate rise in Germany, have revised downwards their forecasts for real growth this year to nil or close to it.

* * *

This recession in Switzerland's has been accompanied by an extraordinary rise in unemployment.

Since the fourth quarter of 1990, more than 90,000 jobs have been lost, and the number of unemployed is now the highest since the 1930s.

One hesitates to mention the official rate – 2.9 per cent in July – because it is so derisory compared to that in other industrialised countries.

However, it is not the real figure, merely a head count of people who have registered with cantonal employment agencies. The government believes that the real rate is about double the official one.

The important point is the trend. From the early 1970s until late 1990, the number averaged around 20,000 with little fluctuation either way. Then suddenly it soared, with still no sign of any easing in the sharply upward slope.

Apart from the cyclical downturn, one technical and two structural changes are taking place, and economists differ on how much importance should be attached to each.

Mr Stefan Wolter of the Union Bank of Switzerland believes the main factor has been the improvement in unemployment benefits, which has led many more people to register at the cantonal employment agencies than used to be the case.

Mr Christophe Koellreuter, head of the BAK economic forecasting institute in Basle, emphasises the change in behaviour of foreigners.

Job losses in the mid-1970s were much higher than those in the current recession, reaching 300,000, but two thirds were gastarbeiters who went home and most of the rest were women who also went home.

Today, Mr Koellreuter says, "foreign labourers are more integrated in the workforce". In other words, they are not the first to be sacked when times are tough.

The other structural change is more surprising. It looks as if the Swiss, who we all thought were so efficient, have long had a variant of the old British disease. It occurs mainly in services, especially banking, and is the result of a Japanese style paternalism.

In today's cold, competitive world, paternalism is out. Even the big banks and sacred national institutions like Swissair are turning people out in their hundreds.

"There is no stigma to laying people off any more. It has even become a sign of progressive management," a Zurich banker said last week.

Row looms over UK pension funds

By Tracy Corrigan in London

TWO UK companies, Lucas Industries and British Rail, have come under fire for their handling of pension fund surpluses.

Pensioners of Lucas Industries have issued a High Court writ against the trustees of the fund, seeking the return of £150m ($298.5m) transferred to the company last November, while British Rail has been ordered to repay £25m, which the company had clawed back from its pension fund.

Both companies took advantage of the 1988 Income and Corporation Taxes Act, which says if pension fund assets exceed its liabilities by more than 5 per cent it must reduce the surplus or lose its tax-exempt status.

The legal change allowed Lucas pension fund trustees to change the deeds so some of the surplus could be transferred to the company, said a spokesman for Lucas.

The payment of £150m to Lucas Industries – reduced to £90m after 40 per cent tax was levied – was approved last November by the Occupational Pensions Board. The transfer allowed the company to announce profits for the six months to January of £90.2m and an interim dividend of 2.1p.

At the time of the transfer, the pension fund had assets valued at £1.7bn, with a £600m surplus, which has now been reduced to £225m.

British Rail's accounts in 1992-93 will include an exceptional item of £25m, which the company has to repay to its £7bn pension fund.

British Coal picks contenders to buy its smokeless fuel

By Roland Rudd

BRITISH Coal is discussing the sale of its smokeless fuel businesses, Coal Products, with two rival management buy-out groups and Anglo-United, owner of Coalite smokeless fuel.

BC yesterday said that while it would consider offers from all parties, it had narrowed down the main contenders to those three.

Coal Products made an operating profit of £2m for the year ended March 28. Last year it had debt of £50m; it has not yet filed its separate accounts for this year.

However, the business is seen as having good potential to generate cash given BC's recent decision to close the loss-making Avenue Coke and Chemical plant near Chesterfield, which produces Sunbright fuel for the domestic closed fire market.

The two rival MBOs are led by Mr Steve O'Donoghue, the former finance director, and Mr David Foster, the operations director.

While Mr O'Donoghue appears to have the backing of the majority of Coal Products managers, the emergence of two rival MBOs could put the British Association of Colliery Management in a difficult position. It has been promised funds to help draw up an employee buy out bid.

BC said it would back the bid which offered the "best value" for its business. At the moment it was inclined to sell Coal Products piecemeal.

While the struggle between two rival MBOs is believed to favour an outside buyer, Anglo's negative net asset value and debts of more than £200m has led some BC directors to question whether the company could afford to buy Coal Products.

Anglo remains confident of putting together an attractive financial package. If it acquired Coal Products it would be expected to close some of the plants.

Anglo currently produces about 400,000 tonnes of smokeless fuel for the open fire market. That is only about 50 per cent of its total capacity because it believes there is already too much capacity in the market.

Boustead advances 6% despite Singapore fall

By Roland Rudd

BOUSTEAD, the industrial trading group recently acquired by Jack Chia-MPH, the Singapore-based trading company, has announced a 6 per cent rise in pre-tax profits for the first half of 1992.

Mr Jack Chia, the eponymous chairman, plans to use Boustead's London quote as the base from which to expand his group in Europe. He is currently making a mandatory offer for the minority in Bousteadco Singapore, the listed subsidiary.

Boustead's pre-tax profits rose from £1.04m to £1.1m on sales of £38.4m (£40.7m).

Several businesses in the UK showed profit increases while market conditions in Singapore remained depressed. Profits at Bousteadco Singapore declined by 22 per cent, although they showed an improvement over the second half of 1991.

The overseas tax charge rose from £221,000 to £401,000 because, under Singapore law, Boustead could not offset losses between subsidiaries against tax.

There was an extraordinary loss of £348,000, being provisions covering the closure costs of overseas divisional activities after the profit on the disposal of Bousteadco's travel and shipping agency business.

Earnings per share and the interim dividend are unchanged at 0.7p and 0.35p respectively.

Henlys confident of defeating Cowie bid

By Roland Rudd

HENLYS GROUP, the motor trader and bus and coach builder, yesterday said its main shareholders had not accepted the £32.1m hostile bid from T Cowie, the Sunderland-based motor dealer.

The offer, which closes at 1pm today, is expected to be close. Over the weekend Cowie said its acceptances had increased to 33.76 per cent.

After talking to its main shareholders, which include Guinness Mahon, Morgan Grenville Nominees, TSB Group and Standard Life Assurance Co, Henlys said it was confident of defeating Cowie's bid.

Mr Robert Wood, chief executive of Henlys, said: "Our feeling is that we expect the majority of the big institutions, which hold 60 per cent of the shares, to stay with us."

Cowie's bid has been helped by Mr David Matthews, former chairman and chief executive of Henlys who left the group last November. Mr Matthews is keen to buy Henlys' coach and bus business.

Mr Wood said the majority of shares under Cowie's control comprise those pledged by Mr Matthews and his associates – including Peter Cundill Associates, the Canadian investment trust – and the 9.9 per cent Cowie bought for cash in the market last week.

Stanelco makes £80,000 profit

Over the 14 months ended February 28 1992, Stanelco made a pre-tax profit of £80,000. That included seven months from the subsidiary Stanelco Products, maker of induction heating and welding equipment.

The group formerly traded as Merchant Manufactory Estate Company, and was reorganised at the end of last year. In 1991 the old group incurred an operating loss of £1.58m, to which was added exceptional charges of £11.6m.

Earnings per share were 0.02p (46.85p).

Knives come out in battle for Simpsons

The City watches as allegations fly across the restaurant table, reports Tim Burt

Tony Andrews

Defending the board: Paul Reece (left) and Roy Ackerman

YOU smell Simpsons before you see it. At noon each day the aroma of grilled meat wafts on to Cornhill, reminding City dealers lunch is being served – much as it has been for the past 235 years.

The chop house, packed with pinstripes, dishes up traditional food. But the owners Simpsons of Cornhill, have found an unappetising item on their plate – the prospect of a battle for control of the board.

Internal strife at companies boasting only four outlets – in this case Simpsons, the Jamaica Inn, Dell'Ugo and Palio – does not normally arouse much interest in the City. But this fight has been given added spice by the characters involved and the assets at stake.

On one side of the table, the board is being defended by Mr Roy Ackerman, once deputy chairman of the Kennedy Brookes restaurant chain, and Mr Paul Reece, a former director of Midsummer Leisure. Rattling their knives on the other side, sits Mr Robert Klapp, former chairman of Select Appointments, and Mr Alan Crompton-Batt, an existing director on the four-man Simpsons board.

The protagonists are not fighting merely for two City taverns and a couple of west London restaurants; they are competing for control of a group in which they see enormous potential. Mr Ackerman, who turned the Kennedy Brookes chain into a group consumed by Forte for £173m, intends to repeat the performance with Simpsons. "I hope to have the best group of restaurants in the south east and London," he said.

His optimism is shared by Mr Reece, who helped develop the Firkin pub group which fetched £9.7m in 1990.

The two culinary executives floated Simpsons last August for £2m. Their aim was to develop a group of restaurants linked by traditional themes. They were backed by Mr Crompton-Batt, a former director of Wheelers seafood restaurants and a one-time inspector for Egon Ronay guides.

Since then, according to Mr Crompton-Batt, the dream has gone sour. He claims standards have slipped at Simpsons and the board has abandoned its themed-restaurant strategy by opening two nouvelle restaurants – Dell'Ugo and Pallo.

The complaints prompted dissident shareholders to join forces in a bid to influence the company. They were rebuffed, however, at an emergency general meeting last week when the board refused to allow voting on a resolution to elect Mr Klapp and City lawyer Mr David Offenbach as directors.

The rebel group, which claims to control 40 per cent of the shares, now hopes to oust the board at a second EGM.

Mr Klapp has no illusions about Simpsons' prospects. "This could be a very important group, but this board is not fit to run it," he said.

Criticism of the company has stung the board into a robust defence. Dismissing the rebel campaign, Mr Ackerman claims they have no catering experience and no institutional support. Mr Reece, meanwhile, has accused the Klapp group of using offshore transactions to increase pressure on the board.

The rebels have drawn most of their support from stakes held by overseas companies. Mr Klapp's Spread Trustee company, registered in the Channel Islands, acquired a 20 per cent stake from entrepreneur Mr David Rowland. Mr Klapp sold on 10 per cent to Mountjoy, registered in the Turk and Caicos Islands, and is relying on another 8.5 per cent recently acquired by Capital Resources of Perth, Australia.

Mr Reece also suggested Mr Klapp, who stepped down from Select Appointments after the company lost £2.4m in 1990, could not manage the business successfully.

According to many regulars at Simpsons, however, both the board and the dissident group have misjudged the attitude of shareholders.

Brokers and dealers have not bought shares as a speculative investment in a growing company. Instead, they have taken a stake to preserve their favourite watering holes.

Mr John Fouracre, a foreign exchange dealer who has lunched at Simpsons for more than 30 years, said: "This is an unlikely investment prospect. People just want it to stay the same; if it's trading successfully through the recession, then they're happy."

In this year's trading, the company has seen turnover grow from around £25,000 a week to more than £80,000. The share price has fallen from a post-flotation peak of 54p to close at 31p at the weekend. But Mr Reece said: "We are still within our bank facilities and there are no significant lines of credit."

The board denies it is being over-acquisitive or profligate. "We are being prudent. We have looked at dozens of projects but we will only buy at the right time and the right price," said Mr Ackerman.

He hopes his cautious approach will curry favour among shareholders at Simpsons. Watching diners enjoying chump chop followed by jam roly-poly last week, one member of staff commented: "This lot likes things the way they are. You'll never move them."

IoM Steam drops 56%

IN THE first half of 1992, pre-tax profits of Isle of Man Steam Packet fell 56 per cent, from £821,000 to £360,000. Turnover rose 3 per cent to 11.3m.

Passenger traffic declined by some 5-6 per cent, said Mr David Dixon, managing director. However, the freight business held steady.

Although fares increased in line with inflation, the decline in passenger traffic held back the advance in sales.

Profits were depressed by a series of one-off factors, including £145,000 in redundancies and £265,000 in overhaul costs. Last year, those costs had been taken in the second half.

Earnings per share were halved to 2.5p (4.9p). The interim dividend is again 3p.

Mr Norman Corlett, the chairman who led the fight against a hostile bid from the Bermuda-based Sea Containers, is retiring because of family illness. An announcement on his successor is expected shortly.

Mr Dixon said the situation remained uncertain with Sea Containers, which launched and then postponed a hostile £17.5m bid in 1990. "We think [they] are being jolly rotten in not saying anything. It has been very unsettling for management and staff." Sea Containers holds 41 per cent of Steam Packet.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Consortium (Canada/US)	Continental Airlines (US)	Airlines	£202m	Air Canada rescue move
Brierley Investments (New Zealand)	Gibbs Mew (UK)	Brewing & property	£11m	Hostile cash offer
BTR (UK)	Getogflex Metzeler (Brazil)	Rubber products	£10m	Another buy from Pirelli
BICC (UK)	Unit of Reynolds Cables (US)	Cables	£38m	Strategic expansion
C Itoh (Japan)	LJ Specialities (UK)	Dyestuffs	£1.5m	W Canning cuts debt
John Fluke (US)	Unit of Philips (Holland)	Electronic testing	n/a	Another Philips sale
Hillsdown Holdings (UK)/ HJ Heinz Co (US)	Kecskemeti Konzervgyar (Hungary)	Canning	n/a	Hillsdown's 2nd Hungary JV
Management (International)	Inspectorate (International)	Trade inspection	n/a	MBO from Adia
ZF Friedrichshafen (Germany)	Allison Transmission (US)	Vehicle components	n/a	GM non-core disposal
Sterling Chemicals (US)	Canadian assets of Tenneco (US)	Pulp chemicals	£102m	Tenneco completes $3bn restructuring

Source. FT Mergers + Acquisitions International

Hafnia turns in loss of DKr3.87bn in first half

By Hilary Barnes in Copenhagen

HAFNIA HOLDING, the Danish insurer which suspended payments on August 20, yesterday announced a first-half loss of DKr3.87bn ($686m) compared with a DKr530m profit in the previous corresponding period.

The deficit was due primarily to a DKr2.15bn loss on its shareholdings in Swedish insurer, Skandia, and Danish insurer, Baltica.

Negotiations are continuing with both companies to find ways of disposing of these holdings, the company said yesterday.

A fall in the value of other securities caused a further loss of DKr655m.

The holding company's assets were transferred in August to a new holding company, Hafnia Holding 1992, which left the debt in the former holding company, which is in the hands of the receivers.

"This construction gives Hafnia a much better chance of continuing its business than a traditional suspension of payments," the company said.

The model chosen enables the parent company to provide financial support to its subsidiaries.

This would not have been possible under a traditional suspension, said the group.

The new holding company has equity capital of DKr5.9bn.

High administrative costs and substantial loss provisions against engagements by Hafnia Marine & Industrial Insurance were additional factors in the first-half collapse.

Last week, the group announced the dismissal of 524 employees in Denmark, or about one-fifth of total staff in Denmark.

Reductions are also being made in staff at Economic, the group's UK insurer.

The result in the second half would depend on two factors, success or otherwise in efforts to sell the shareholdings in Baltica and Skandia and developments in the Danish share and bond markets, the company said.

Danish insurer plunges into red

By Hilary Barnes

BALTICA Holding, Denmark's biggest insurer, plunged to a loss of DKr991m ($176m) in the first six months compared with the DKr762m profit in the first half of last year.

Group equity capital shrank to DKr7.92bn from DKr9.20bn.

Insurance operations returned a DKr256m profit, down from DKr520m last year. "The result shows that our primary business area is doing well," said Mr Peter Christoffersen, group chief executive.

The losses arose from large write-offs of property-related investments and the falling value of the bond and share portfolio.

Property write-offs were DKr650m, including a substantial provision to cover involvement in a large office complex under construction in Gibraltar.

The value of strategic shareholdings in France's Compagnie Financiere de Suez and Sweden's insurer Skandia declined by DKr297m, while last year these holdings showed a gain of DKr305m. Since June 30, the value of the strategic holdings has fallen by a further DKr160m.

Baltica's banking subsidiary made a DKr142m loss as loss provisions rose.

This compared with a DKr42m profit last year.

The group forecast a better second-half result on condition that share and bond values at the end of the year did not deteriorate from the level at June 30.

Crédit Lyonnais restructures management

By Alice Rawsthorn in Paris

CREDIT Lyonnais, the state-controlled French bank, is restructuring its senior management by appointing Mr Michel Renault in the newly created post of joint director general.

Mr Renault, 55, heads Crédit Lyonnais's domestic retail banking interests. He will continue to be responsible for this area of the group as joint director general, but will also assume responsibility for the rest of its commercial banking operations.

The improved performance of Crédit Lyonnais's domestic banking business was one of the few bright spots in the group's 1991 results when net profits fell to FFr3.16bn ($637m) from FFr3.71bn in 1990 after it was forced to double its client risk provisions to FFr9.5bn because of loan losses.

This increase in client risk provisions intensified criticism of the style of Mr Jean-Yves Habérer who, as chairman of Crédit Lyonnais, has been the architect of its aggressive lending and international expansion strategy.

Canon fall adds to gloom in Japan

By Robert Thomson in Tokyo

CANON, the Japanese camera and office equipment maker, yesterday reported a 14 per cent fall to Y56.4bn ($448.4m) in pre-tax profits for the first half, while Chinon Industries, another camera maker, announced that it would withdraw from the domestic market.

The announcements came as other companies cut profit estimates for the first half to the end of September, including Kyocera, the electronics company, which revised down its pre-tax forecast by 8.8 per cent to Y17.7bn, compared to Y21.9bn for the same period last year.

Japanese news agencies reported that the leading department store operators Takashimaya and Sogo announced downward pre-tax profit revisions of 50 per cent and 37 per cent respectively for their first half to the end of August.

Each of the companies blamed worse than expected performances on the continued slowing of the domestic economy, but said they were confident of increasing domestic sales in the second half, given the assistance of the government's stimulatory package.

The package came too late for Chinon, which is to halt domestic sales of its camera brand later this year. The company also makes information equipment but executives admitted yesterday that it is now dependent on camera exports for earnings and overseas sales have been weak.

Chinon reported a pre-tax loss of Y2.2bn last year and had forecast the same for the current year.

Canon said that its consolidated sales rose 0.7 per cent to Y928.8bn in the first half to the end of June, with camera sales down 7.4 per cent and sales of business machines 2.2 per cent higher.

Sales of optical and other products were 0.5 per cent lower.

For the full year, Canon is expecting a 3.2 per cent increase in consolidated sales to Y1,930bn, but a 15 per cent fall in pre-tax profit to Y124bn, and a 12 per cent fall in after-tax profit to Y46bn.

Kyocera, which is the leading maker of ceramic packages for integrated circuits, said sales for the September half are likely to fall 6 per cent to Y148bn. For the full year, the company forecast sales of Y318bn, about the same as last year, reflecting its confidence in a second-half economic recovery.

Japanese department stores have been bruised by the unexpected weakness in consumer spending in recent months, and Sogo said that demand for most lines had fallen, leading to an expected 9 per cent decline in its first half sales. For the full year, it forecast a 34 per cent fall in pre-tax profit to Y4.8bn on sales of Y292bn, down from Y310bn.

Takashimaya expected a 4 per cent fall in its first-half sales to Y393bn. Its full-year pre-tax profit forecast was revised downwards from Y12.8bn to Y9bn.

Cominco sells mine stake

COMINCO, the Vancouver-based metals and fertiliser producer, has sold its 46 per cent stake in Australia's Aberfoyle mining and exploration group for C$135m (US$113.4m), writes Bernard Simon in Toronto.

The buyers are various Australian and international institutions which have been pressing Cominco for almost a year to part with at least a portion of its stake in Aberfoyle.

The approaches were initially turned down, but were given consideration as Aberfoyle's share price rose from less than A$4 to its present level of more than A$5 a share.

The Canadian company expects to use the proceeds to help finance projects in Chile, Mexico and, possibly, Turkey. Cominco is committed to providing US$110m in equity for the Quebrada Blanca copper mine in northern Chile.

Macy's offers 5-year plan

RH Macy, the bankrupt New York-based department store group, has provided creditors with an outline business plan for a five-year period, writes Nikki Tait in New York.

The company said the detailed implementation plans would be prepared during the next two months, and that financial projections were also still being developed.

However, part of the plan relied on cost-reduction, "refining pricing to balance everyday competitiveness with appropriate sales promotions", and a more focused approach to merchandise categories.

Meanwhile, Ames Department Stores, operating under the protection of Chapter 11 of the US bankruptcy code, has received court approval for the extension of a $200m financing facility. The new debtor-in-possession facility will run through to October 30, 1993.

Forenende declines to NKr262.7m midway

By Karen Fossli in Oslo

FORENENDE, one of Norway's four biggest insurers, said yesterday that first-half operating profit had declined to NKr262.7m ($45.6m) from NKr278.5m a year earlier.

The group blamed the decline on a NKr54m fall in net currency gains. Group premium income rose 6 per cent to NKr1.016bn while non-premium income advanced 20 per cent to NKr1.146bn.

Forenende said that first-half sales rose 13 per cent to NKr2.251bn while assets at end-June were up 20 per cent from last year at NKr18.646bn.

The acquisition of four finance companies constituted the majority of the growth in turnover and gross assets.

The group is in the process of being acquired by Gjensidige, another Norwegian insurer, which controls 75 per cent of the company. Gjensidige expected to complete the takeover by August 1993.

Forenende said the acquisition was dependent on the elimination of the company's 10 per cent limit on shareholdings and a 5 per cent limit on voting rights. It added that the board and management were positive that it would be acquired by Gjensidige.

MONTHLY AVERAGES OF STOCK INDICES

	August	July	June	May
Financial Times				
Government Securities	88.11	89.31	88.83	89.05
Fixed Interest	104.58	105.92	104.70	104.39
Ordinary	1741.1	1858.5	2027.3	2123.5
Gold Mines	83.65	90.1	101.8	110.6
SEAQ Bargains(5.00pm)	17,883	20,083	22,745	31,540
F.T.-Actuaries				
Industrial Group	1199.33	1256.74	1348.67	1406.22
500 Share	1258.02	1319.06	1419.56	1476.08
Financial Group	680.35	703.78	755.77	784.49
All-Share	1114.83	1171.62	1260.28	1310.73
FT-SE 100	2344.1	2443.3	2604.4	2702.3
FT-SE Eurotrack 100	1039.99	1099.17	1164.01	1186.95

	Highest July close	Lowest July close
Ordinary	1814.8 (3rd)	1676.2 (26th)
All-Share	1151.28 (3rd)	1068.13 (25th)
FT-SE 100	2420.2 (3rd)	2281.0 (25th)
FT-SE Eurotrack 100	1081.21 (5th)	993.01 (25th)

INTERNATIONAL CAPITAL MARKETS

UK GILTS

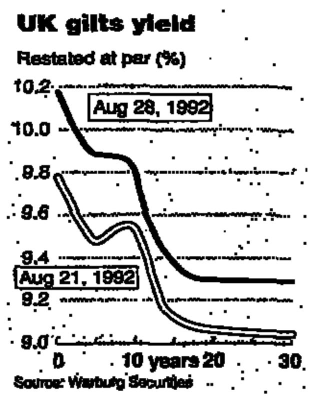
Currency contortions cast a cloud

GILTS came under pressure as sterling found itself in the crossfire of turbulence in the exchange rate mechanism of the European Monetary System.

With a strong D-Mark continuing to put other EMS currencies under strain, the pound fell last week against the German currency, closing on Friday night within about 1 pfennig of its DM2.778 floor.

The weaker sterling reduced demand for gilts, with prices slipping back along the yield curve. That corresponded to a rise in yields of about 20 basis points (0.2 percentage point) with the increase being most significant for shorter dated gilts.

With currency markets tense during much of last week, the Bank of England found less than rapturous welcome among investors for its auction of £2.5bn of 8¾ per cent Treasury stock maturing in 2017. This was oversubscribed by a factor of about 1.2, rather smaller than for earlier gilt auctions of this type.



Also, the recent fall in gilt prices meant the Bank gained rather less funds from the exercise than it might have hoped for. The cash will enable the government to finance this year's public sector borrowing requirement, which is expected to add up to more than £30bn.

One school of thought among gilts observers is that the Bank's large requirement to sell bonds to fund the PSBR will at some point almost certainly draw in large numbers of overseas buyers. Demand from these groups would help underpin sterling.

However, a less optimistic gloss is that the weakness in sterling, assuming the currency remains fragile for the foreseeable future, may frighten away overseas buyers and cause them to purchase government bonds issued by other countries instead.

Overshadowing events in the gilt market – and all the other main bond markets in Europe – has been indications that France might reject European economic and monetary union in its referendum on September 20. That could lead to large selling of gilts, as well as of bonds denominated in other currencies regarded as weak, while German government bonds would probably see higher demand.

Since the Danish rejection of the Maastricht treaty in early June, yields for German bonds have come down slightly, while those for other countries' bonds have risen.

While the difference between gilt yields and German bond yields has increased over this period by roughly 40 basis points, the comparable figure for French bonds has been about 70 basis points. In the case of Italian bonds, the yield spread has increased by 120 basis points. On the basis of these figures, the extra "risk premium", in the form of higher interest rates, that investors demand for holding gilts compared with German bonds has been somewhat less than the additional premium demanded for French and Italian bonds.

However, that is probably not all that comforting to gilt investors, given that the French franc and the Italian lira are two of the other extremely weak currencies in the EMS grid.

Peter Marsh

NORDIC REGION

Confusion reigns over Sweden's role in European monetary union

THE NORDIC financial markets are in a jittery state.

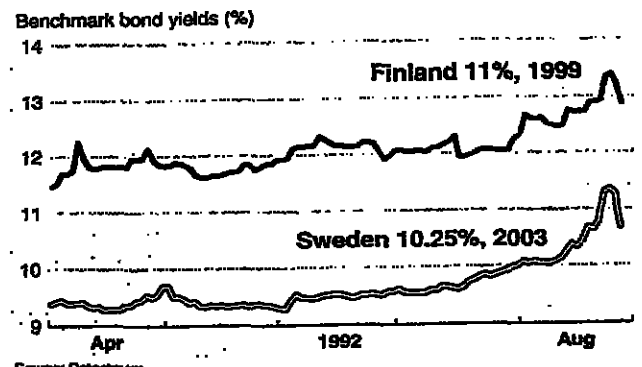
In Sweden, concern about the economic situation and the possibility of a devaluation prompted a sharp outflow of currency in the middle of August, forcing the Riksbank – Sweden's central bank – to hike up its key lending rate twice in the space of a week.

The rise in Swedish rates had repercussions in neighbouring Finland where the central bank quickly raised its tender rate in order to prevent a currency outflow.

The 3 percentage point rise – from 13 per cent to 16 per cent – in the Riksbank's marginal lending rate last Wednesday took the markets by surprise as the Riksbank had raised the rate by one percentage point only the previous week.

The initial rise in the marginal rate, from 12 per cent to 13 per cent, was a response to a large capital outflow of SKr9.9bn in the week ending August 21 (compared with an outflow of SKr394m the previous week).

The market's nervousness was partly blamed on Mr Allan Larsson, an opposition Social Democrat and former finance minister, who questioned whether Sweden should join a single European currency. His comments, which were published in the Swedish press, left the markets confused about Sweden's future role in European economic and monetary union, and came at a time when the markets were losing their confidence in the ability of the centre-right minority government to push ahead with the tough economic measures needed to reduce Sweden's budget deficit.



The initial rise in the marginal rate appears to have had little effect, with dealers estimating that a further SKr10bn or so may have flooded out of Sweden last week.

Prime Minister Carl Bildt said last week that the fixed exchange rate policy would be maintained and said the government would push ahead with its policy for growth. Mr Bildt's four-party government has promised to cut back on public spending, but it has faced problems in passing some of its spending cuts in the parliament because it is in a minority.

The rise in Swedish rates had repercussions in Finland where the central bank raised its tender rate to prevent a currency outflow

"What worries the market is the growing budget deficit and rapid rise in unemployment," says Mr Thomas Franzen, economist at Svenska Handelsbanken.

"Although the market is quite confident about the government's economic policy, there is a real worry about whether the government can get these measures through Parliament." Mr Franzen warns that the public sector borrowing requirement for the 1992-1993 fiscal year could reach SKr150bn-SKr160bn.

The Riksbank's 3 percentage point rise in the marginal rate pushed up bond yields initially, but since then, yields on treasury bills and bonds have fallen back again.

Last week's rise in Sweden's marginal rate prompted an immediate hike in the Bank of Finland's tender rate, from 15.5 per cent to 17 per cent, in an attempt to prevent an outflow of capital. The rise pushed up yields, with the seven-year bond yielding 13 per cent.

Dealers warn that while the Bundesbank keeps German interest rates high and the European bond markets remain preoccupied with the forthcoming French referendum on the Maastricht treaty, there is little chance that the Bank of Finland will be able to lower interest rates. The government has a heavy funding requirement this year, but so far about two-thirds of its funding has been done abroad in other currencies, thereby putting less pressure on domestic interest rates.

Sara Webb

US MONEY AND CREDIT

Dollar's decline highlights tussle with data

THE DECLINE in the dollar over the past week and a half has brought to the fore a tussle between the US currency and a motley collection of economic statistics over the direction of the nation's credit markets.

The plunge in the currency which began on August 21 sharply reversed a solid two-month rally in the bond market which had been prompted by Wall Street starting to conquer its fears of inflation, the bond market's biggest bugbear.

However, by the end of last week the yield on the benchmark 30-year Treasury issue had risen to 7.42 per cent, against 7.35 per cent a week before and 7.31 per cent two weeks earlier.

Trading on US bond markets was quiet yesterday as investors and dealers stayed on the sidelines ahead of this week's important employment report for August. By midday, the benchmark 30-year government bond was down just $\frac{1}{16}$ at $97\frac{31}{32}$, yielding 7.425 per cent. The two-year note was slightly weaker, down $\frac{1}{32}$ at 100¼, to yield 4.168 per cent. There are probably three inter-linked reasons for this unusually powerful currency impact on the credit markets. The first, and most important, is that Wall Street thinks the dollar's plight reduces the freedom of the Federal Reserve to cut interest rates again. For this would increase the large interest rate differential between the US and Germany and place the dollar under greater pressure.

Second, the market fears a weakening currency could encourage foreign investors to sell their investments in dollar-denominated assets, or at least not buy new ones, thus reducing demand for both equities and fixed income securities.

Third, a low dollar makes imports more expensive, and this could help give an upward bias to inflation. However, given the vast size of the domestic market, relative to imports, this concern is of minor consequence.

Behind the dollar's decline lies a direct policy conflict between the US government, which has slashed interest rates to promote growth, and the German government, which is keeping interest rates high to choke off inflation.

This clash is not going to be resolved quickly, so the dollar is likely to remain weak for some time – at least until the German economy shows more concrete signs of cooling, which will reduce the pressures for yet tighter German monetary policy.

Those short rallies the US credit markets have enjoyed over the past week have been due to further evidence that the domestic recovery from recession is proceeding at the pace of a snail.

Money supply numbers released last Thursday saw an unexpected decline in M2, while Wednesday produced a surprisingly sharp decline in orders for durable goods. On Tuesday, the Conference Board reported that consumer confidence had fallen to its lowest level since March.

This week the market will be focusing on Friday's employment report – the most important early snapshot of how the economy performed in August.

Many analysts are forecasting a drop in unemployment, from July's 7.7 per cent to between 7.6 per cent and 7.5 per cent. Payroll employment is expected to rise between 145,000 and 250,000 people.

These raw figures are misleading, because most of these jobs will be due to the temporary employment of deprived youths under a Federal summer work creation programme.

The figures will doubtless be seized by both the Democrats and Republicans to support their cases in the presidential election campaign, which is likely to cast an increasingly heavy shadow over the bond market in the weeks ahead.

Many on fiercely Republican Wall Street have yet to take on board just how far President Bush remains behind in the polls and the increasing possibility of a Democratic victory.

Martin Dickson

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	107¼	-¼	4.57
ABN 9 1/8 94	200	107½	-¼	4.94
AETNA LIFE & CAS 7 3/4 16	200	103	-½	7.47
ALBERTA PROVINCE 8 5/8 96	750	109½	-⅜	6.01
ALBERTA PROVINCE 9 3/8 95	600	111¼	-½	5.40
AMERICAN EXPRESS ZERO 00	450	53⅜	-¼	7.87
AMERICAN GENERAL 9 3/4 95	100	110		5.81
AMERICAN INTL 0 04	750	40	-⅛	7.96
ASIAN DEV BANK 0 04	1000	40½	-¼	7.82
ASIAN DEV BANK 8 96	100	107½	-⅛	5.95
[illegible]				

	Issued	Bid price	Chg on week	Yield
SAS 10 1/8 95	150	110⅛	-½	6.34
SBAB 9 1/2 95	500	110½	-½	5.29
SBC FINANCE 7 3/4 96	200	107¼	-½	5.69
SEAGRAM CO 8 1/2 96	100	103	-⅛	7.50
SEARS EURO TRUST 8 3/4 96	750	107⅜	-⅜	6.24
SEARS O/S FIN 0 98	500	66½	-⅜	7.29
SEARS ROEBUCK EURO 9 3/4 95	500	109⅛	-½	5.88
SNCF 7 1/4 94	175	104	-⅛	4.25
SNCF 9 1/2 98	150	114½	-1	6.46
STATE BK NSW 8 1/2 96	200	108⅛	-⅜	6.06
STATOIL 7 5/8 94	200	103⅜	-⅛	4.89
[illegible]				

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	87⅛	+1¼	7.23
AUSTRIA 4 5/8 98	100	89½	+¼	7.00
CHUBU ELEC POWER 6 3/4 01	300	97		7.22
COUNCIL EUROPE 4 3/4 98	250	89¾	+¼	7.06
EEC 5 1/2 00	100	90	+½	7.14
EIB 6 1/2 98	800	98½	+¼	6.81
ELEC DE FRANCE 7 1/4 06	100	101½		7.07
FINLAND 5 3/8 95	150	95	-¼	7.18
GENERAL MOTORS 7 1/2 95	100	98		8.36
JAPAN DEV BK 5 1/2 94	100	96½	+¼	8.11
[illegible]				

YEN STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

OTHER STRAIGHTS [illegible]

LUXFR STRAIGHTS [illegible]

GUILDER STRAIGHTS [illegible]

CANADIAN DOLLAR STRAIGHTS [illegible]

ECU STRAIGHTS [illegible]

AUSTRALIAN DOLLAR STRAIGHTS [illegible]

STERLING STRAIGHTS [illegible]

CONVERTIBLE BONDS [illegible]

NEW ZEALAND DOLLAR STRAIGHTS [illegible]

FRENCH FRANC STRAIGHTS [illegible]

DEUTSCHE MARK STRAIGHTS [illegible]

EQUITY WARRANTS [illegible]

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn - current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem - percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: [illegible]

Closing prices on August 28

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Ecu market close to collapse as union hopes fade

THE ECU bond market, built on the assumption of European monetary union, appears to be close to collapse, after prices dived again and liquidity evaporated last week.

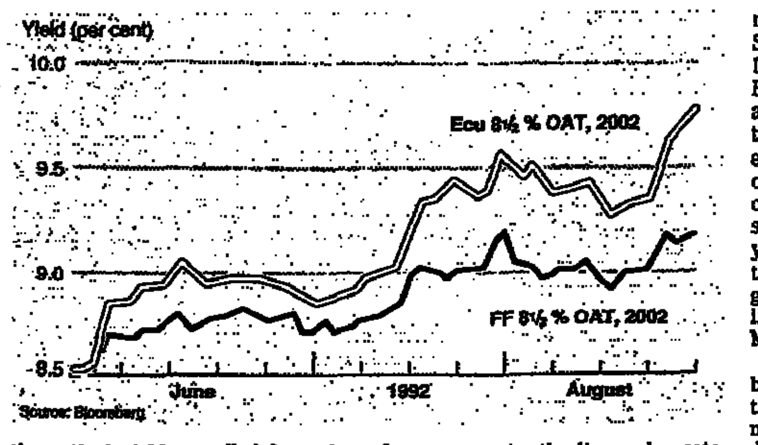
A series of opinion polls showing that a majority of French voters are preparing to reject the Maastricht treaty on European monetary and political union in this month's referendum sent a further shock wave through the market, which was still reeling from the blow delivered by Denmark's rejection of the treaty on June 2.

"The market is effectively closed," said one marketmaker, after attempts to revive liquidity by resetting marketmaking guidelines failed.

The price of the Paribas 10-year Ecu bond index dropped to 97.64 late last week, from 100.13 the previous week. Ecu bonds issued by France and the UK held up better than most, while Italy's bonds due 2011 again bore the brunt of selling, dropping from more than six points to 86.30 in the course of last week. The Italian issue, now yielding 11 per cent, is starting to look cheap, in terms of relative value. But the market has become so illiquid, that such valuations have lost much of their significance.

"The downside for the Ecu market at this point is no longer value but liquidity," one trader said. "Even if the bonds theoretically hold value, the fact that it is impossible to sell paper means that investors will not buy."

Consequently, it is difficult to see where the floor for the market lies. Already, the yield of the Paribas 10-year index stands at 9.77 per cent, 50 basis points more than the theoretical yield compiled from the yields of the component currencies. Prior to last week's sell-off, the margin was around 20 basis points.



"Ecu bonds are offering tremendous value, but there is always the risk that they will offer even better value next week," said Mr Bob Tyley, head of bond analysis at Paribas.

As fund managers reassess their portfolios ahead of the French referendum, there is little incentive to hold Ecu bonds. If the French vote yes on September 20, the Ecu bond market is undoubtedly set to rally. But if they vote no, it is likely to be worse hit than other markets. Given the degree of political uncertainty surrounding the referendum, few fund managers want to take a strong view on the outcome.

"Some of the higher-yielding European markets, like Italy and Spain, offer better prospects," according to Mr Michael Burke, bond analyst at Yamaichi International. While they would suffer from a no vote, the lira and peseta will still be viable currencies without Maastricht, while the Ecu would no longer be an attractive investment for institutional investors, if European monetary union is abandoned.

In the case of a no vote, a realignment of the Exchange Rate Mechanism is seen as an increasingly likely prospect. Without the pull of monetary union, the strains within the ERM, many economists believe, would become intolerable. Here too, the Ecu bond market stands to pay a high price.

Further, if the French vote yes by only a narrow margin, a mood of uncertainty could continue to depress bond markets at least until the end of the year, when other countries, such as the UK and Germany, have ratified the treaty.

There are also nuances of reaction within the Ecu bond market.

"The two-tier structure of the Ecu bond market is becoming more distinct, reflecting the advances for the no vote over the last week," said Mr Steve Major, bond analyst at Crédit Lyonnais. Mr Major places issues by France, the UK, Spain, Denmark and Belgium in the top tier, since these issues will receive official government support, even in the case of a no vote. The lower tier consists of less liquid state-backed agency, sovereign and corporate issues. "A yes will lead to outperformance by the recently out of favour tier-2 group but a no will favour the more liquid tier-1," according to Mr Major.

Not all potential sellers of Ecu bonds have been able to unload their stock, either because of the market's illiquidity or because they do not want to realise losses. But any attempt at a rally has been, and will continue to be, used by asset allocators as a selling opportunity.

Further, the problems experienced by investors in offloading paper will not be forgotten soon. Until a couple of years ago, institutional investors eschewed the Ecu bond market, which was dominated by retail investors. Then, the sponsorship of the market by European governments, in the form of large Ecu borrowing programmes – coupled with extensive marketing by banks – drew them in.

Now that their claims for the market have collapsed, how far should the responsibilities of market participants go, and can they be blamed for the current disarray? Certainly, the conduct of marketmakers has not been a pretty sight. For the last two years, banks and securities houses have been falling over each other to gain marketmaker status in the sector, keen to gain a foothold in what could become Europe's bond market. Since the Danish vote on June 2, the rush for the doors has been equally fierce.

Although there are nominally 44 marketmakers recognised by the International Securities Market Association, the self-regulating body which oversees the market, there have never been more than a dozen serious players. By the end of last week, no one was actually making a market.

A one-day suspension of marketmaking in July, followed by a resetting of marketmaking guidelines had already failed to reinject liquidity. Last week, as liquidity diminished still further, a group of marketmakers led by Paribas attempted to take matters into their own hands by again resetting spread and size guidelines, in the hope of encouraging dealers to make prices. Although a group of four marketmakers did make prices for a few hours on Friday, the initiative failed, and market participants now seem resigned to an almost total loss of liquidity at least until the referendum.

Given the surplus of sellers and non-existence of buyers, it is difficult to see how the banks could remedy the situation. "There is Ecu100bn of bonds outstanding in the market. The street cannot be expected to buy the whole market back," one trader argued.

Little comfort, however, for the numerous institutional investors who bought on the sales pitch that Ecu Eurobonds issued by European states were quasi-government bonds, with comparable liquidity.

Tracy Corrigan

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Mizuno Finance(a)‡‡	50	1997	5	(b)	100	Banca Del Gottardo	-
Banco Quilmes(b)†	20	1994	2	10	99.558	Chemical Inv. Bank	10.25
Credit Foncier(d)†‡	300	2002	10	(d)	100	Paribas Cap Mkts	-
Amoco Canada†	250	2002	10	7.25	101.915	Goldman Sachs Intl.	6.978
Telebras†	100	1997	5	10.375	97.83	Merrill Lynch Intl.	10.95
ECUs							
Shinagawa Fuel♦	70	1996	5	6	100	Daiwa Europe	6.0
D-MARKS							
Deutsche Finance(c)†	1bn	1997	5	8.5	102.3	Deutsche Bank	7.925
Credit National†	300	1997	5	8.5	101.5	Dresdner Bank	8.123
General Electric†	300	1995	3	8.75	101.4	JP Morgan GMBH	8.205
General Electric Capital†	90	1994	2	9.125	101.15	CSFB-Effectenbank	8.476
CANADIAN DOLLARS							
Japan Highway†	300	2002	10	7.875	101.495	IBJ Intl	7.655
YEN							
Nippon Oil Finance(g)‡†	6.5bn	1997	5	(g)	100	Goldman Sachs	-
Nichii Co.†	30bn	1998	6	5.5	101.625	Nomura Intl.	5.161
NEC Corp.†	20bn	2002	10	5.7	101.75	Nikko Europe	5.469
NEC Corp.†	20bn	2000	8	5.6	101.75	Daiwa Europe	5.328
SWISS FRANCS							
Yuasa Trading(f)♦★★†	100	1996	4	3.625	100	Nomura Bank	3.625
Japan Finance Corp.†	150	2002	10	7.125	102.5	Swiss Volksbank	6.773
Hyundai Motor Finance†	100	1997	5	8.5	101.375	UBS	8.154
Oekofonds†	150	2004	12	7.125	102.25	UBS	6.844
Daewoo Corp.(e)★★§†	45	1996	4	4.5	100	SBC	4.494
LUXEMBOURG FRANCS							
GMAC Intl. Finance★★†	500	1994	2	10	102.125	BGL	8.795
BBL Intl.†	1.25bn	1999	7	9.25	102.25	Credit European	8.806

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ♣Variable rate note. †Final terms. a) Coupon pays 50bp above 6-month Libor. Non-callable. b) Coupon payable semi-annually. Non-callable c) Amount increased from 102. Non-callable. d) Amount increased from $200m. Coupon pays ⅛% below 6-month Libor and payable semi-annually. Subordinated issue. Minimum interest rate 5%, Maximum 10%. Non-callable. e) Put option on 30/12/94 at 112.3%. Conversion premium fixed at 5% above average of last 5 days f) Exercise premium fixed at 2.56%. g) Coupon pays 0.25bp above 3-month Euro Yen Note: Yields calculated on ISMA basis

John Plender

Clinging to the wreckage

ERNEST BEVIN, when foreign secretary, once memorably remarked of the Council of Europe: "If you open that Pandora's Box you never know what Trojan 'orses will jump out." Similar, if less earthy, advice is now on offer from the European political and financial establishment, after a turbulent week on the exchanges, about the risks of reopening the debate on monetary union or prising apart the existing alignment of currencies in the exchange rate mechanism (ERM).

As Community finance ministers prepare for a damage limitation session next weekend in Bath, they would do well to remember that Pandora was a headstrong girl (and that the hot spring water that they will be invited to imbibe at this otherwise charming west country spa is thoroughly sulphurous). Many in the markets are already convinced that it is too late to prevent the Trojan horses taking a joyful jump.

Much of the turmoil last week came after opinion polls suggested that the French might vote no to Maastricht in the forthcoming referendum. Yet the damage has arguably been done already. Given that an overwhelming yes vote is now almost inconceivable in the country that spearheaded the move to Emu, the proponents of Maastricht appear to lack an adequate mandate.

That, certainly, appears to be the verdict of the Ecu bond market, which has always been regarded as a bellwether for Maastricht's ratification prospects. After the treaty was signed, Ecu bonds stood at a premium to their underlying currency components. As the prospect for monetary union waned, Ecu bonds went to a discount. Since July the market has gone into spasm and banks have desperately looked for ways of reviving it. But to no avail.

The Ecu bond debacle is less than reassuring for Euro-visionaries. But nor does it follow that the countries whose currencies are under pressure will be immediately be taken off the hook. Emu is one thing; the ERM another. And it would be unwise to underestimate the depth of the commitment of Mr John Major's government to this semi-fixed exchange rate system. The game for Europe's finance ministers for the next three weeks will be to keep the ERM show on the road. The only question is whether their contingency plans will be obliged to incorporate a realignment.

Their problem is that if the prospect of monetary union has retreated, it will be hard to restore investors' interest in convergence, the bond market equivalent of Gresham's law whereby the most inflation-prone currencies become strong, while the historically strong turn weak. Sir Thomas Gresham was, incidentally, a notorious deflationist who wanted a strong currency to reduce the cost to Elizabeth I of paying off foreign loans, regardless of the consequences for unemployment. How apposite.

Without the prospect of Emu the inherent strains of the ERM also become less tolerable. The dealers may have come back in from the window ledges after last week's squall. But being shackled to the world's strongest currency can be relied on to bring more squalls in the absence of policy change – and bigger squalls on any change of US president.

Within the ERM itself there is no escape from the fact that the the link to a post-unification D-Mark delivers inappropriate monetary policies to some members, not least Britain, where debt deflation is being addressed, bizarrely, by rising real interest rates. Yet realignment within or devaluation without the ERM would present huge credibility problems for sterling. Their manageability, if it came to that, would depend on what accompanying fiscal and monetary steps the government chose to adopt.

The government is hoping that something will turn up – or rather, that the D-Mark will turn down. But if post-war history is any guide the likely outcome is months of turbulence, followed by capitulation to political and market pressure. The outcome for Mr Major, who took Britain into the ERM, and his chancellor Norman Lamont, might be terminal. But the verdict of historians on the prime minister could prove kinder than that of his party. After all, when Sir Isaac Newton, master of the mint, took Britain on to the gold standard in 1717 he hadn't the remotest conception of what *he* was doing either.

THE WEEK AHEAD

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Arlen, 10, Snow Hill, E.C., 3.00
Courts (Furnishers),
Painters Hall, 9, Little Trinity Lane, E.C., 11.00
Tinsley Robor, Mint House, 77, Mansell Street, E., 10.30
BOARD MEETINGS:
Finals:
Astec (BSR)
Haynes Publishing
Interims:
Dewhirst
Persimmon
Torday & Carlisle

■ TOMORROW
COMPANY MEETINGS:
***Benson Group**, Birmingham*
Botanical Gardens, Westbourne Road, Edgbaston, 12.15
Bespak, Bergen Way, North Lynn Industrial Estate, Kings Lynn, 11.30
Clayhithe, Naval & Military Club, 94, Piccadilly, W., 12.00
Prism Leisure, The Registry, Royal Mint Court, E.C., 10.30
Syltone, Forte Crest Hotel, Leeds Road, Bramhope, 12.00
BOARD MEETINGS:
Finals:
Indl. Control Services
Isotron
Provident Financial
SelecTV
Interims:
American Trust
Bowater
Cakebread Robey
CRH
Cussins Property
English & O'seas Props
Invergordon Distillers
Johnston Press
Page (Michael)
Psion
Serco
Sun Alliance

■ THURSDAY SEPTEMBER 3
COMPANY MEETINGS:
Abtrust New Dawn Inv. Trust, 99, Charterhouse Street, E.C., 12.30
Carclo Eng., Queens Hotel, Leeds, 2.30
Eastern Electricity, Wembley Conference Centre, Middx., 11.00
Wessex Water, Assembly *Rooms, Bennet Street, Bath,* 11.00
BOARD MEETINGS:
Interims:
Barr & Wallace Arnold Tst.
Burmah Castrol
Cookson
Courtaulds Textiles
Edmond Hldgs.
Iceland Frozen Foods
Jourdan (Thomas)
Ladbroke
Merlin Intl. Green Inv.
Pearson
Pentos
Reckitt & Colman
Rolls-Royce
Singer & Friedlander
T&N
Trans World Comms.
Vinten
Waterford Wedgwood
Williams Hldgs.
Wilson Bowden

■ FRIDAY SEPTEMBER 4
COMPANY MEETINGS:
AIM Group, New Connaught Rooms, Great Queen Street, W.C., 12.00
***Associated British* Consultants**, Alderman's House, Alderman's Walk, E.C., 11.30
Ferromet Group, Founders Court, Lothbury, E.C., 12.00
GEC, Hilton Hotel, Park Lane, W., 12.00
Graig Shipping, 113-116, Bute Street, Cardiff, 11.15
Grand Central Inv., 4, Broadgate, E.C., 11.00
Harris (Philip), Lynn Lane, Shenstone, Staffs., 12.00
Joseph (Leopold), 29, *Gresham Street, E.C.*, 12.30
Menzies (John), George Hotel, 21, George Street, Edinburgh, 12.30
BOARD MEETINGS:
Finals:
Hong Kong Inv. Tst.
Interims:
Gibbs & Dandy

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ YESTERDAY
Allnatt London Props. 10½% 1st Mtg. Db. 1994/99 £5.25
Amdahl $0.025
Bankers Inv. Tst. 0.86p
Bowthorpe 8% Db. 1988/93 £4.00
Burmah Castrol 8½% Un. Ln. *1991/96 £4.25*
Ecclesiastical Insce 13% Db. 2018 £6.50
Excalibur 11.5% Cm. Pf. 5.75p
Glasgow Inc. Tst. 0.6p
Honda Motor 5¼% Cv. Bd. 1998 $131.25
Do. 5½% Cv. Bd. 1997 $137.50
Johnson & Firth Brown 11% Un. Ln. 1993/98 £4.58
Lon. & St. Lawrence Inv. 5% Cm. Pf. 1.75p
Lon. & Strathclyde Tst. 5% Cm. Pf. £1.75
Murray Split Cap Tst. Inc. 2.5p
Do. Units 25p
Next 7¾% 1st. Mtg. Db. 1987/92 £3.875
Olim Cv. Tst. 4.2p
Parkland Text 4.2% Cm. Pf. 2.1p
Presidio Oil $0.025
Prowting 14.5% Cm. Pf. 7.25p
RPH 8% Db. 1992/96 £4.00
Do. 4½% Un. Ln. 2004/09 £2.25
Do. 7⅝% Un. Ln. 1987/92 £3.8125
Do. 9% Un. Ln. 1999/2004 £4.50
Second Market Inv. 2½% Cv. Un. Ln. 1994 £1.25
Seiyu 7¼% Cv. Bd. 1996 £36.25
Temple Bar Inv. Tst. 6% Cv. Un. Ln. 2002 £3.00
3i 8⅞% Un. Ln. 1992/97 £4.4375
TR Far East Inc. Tst. 7% Db. 1997/2002 £3.50
Wells Fargo Fltg. Rate Sb. Nts. 1992 $43.06
Do. Fltg. Rate Sb. Nts. 2000 $45.21
Amax $0.20
Amer. Brands $0.4375
Amer. Gen. $0.52
Asarco $0.20
Assoc. British Foods 8.5p
Automated Security 5% Cv. Cm. Rd. Pf. 2.5p
Barclays Bank Non-Cm $ Pf. Ser. A $0.52125
Do. Ser. B $0.50975
Do. Ser. C. $0.421875
Do. Ser. C2 $0.105475
Do. Units $0.52735
Do. $ Pf. Ser. D $0.43125
Do. Ser. D2 $0.10781
Do. Pf Units $0.53906
British Syphon Inds. 3p
Burndene Invs. 3p
Campbell & Armstrong 1p
Clarke Nickolls & Coombs 8½% Un. Ln. 1987/92 £4.25
Coventry Bldg. Society 12⅛% Un. Cv. Sb. Nts. £27.90
East Surrey Hldgs. 7% Rd. Db. *1990/92 £3.50*
Do. 7¼% Rd. Db. 1991/93 £3.625
Do. 10% Rd. Db. 1987/99 £5.00
East Worcs. Water 3.5% £1.75
Do. 2.8% Pf. £1.40
Do. 3.85% Pf. £1.925
Elect. & Gen. Inv. 9% Db. 1989/91 £4.50
Eurocopy 1.1p
Fleming Claverhouse Inv. 2.5p
Ford Motor $0.40
Goldsmiths 0.3p
Halifax Bldg. Society 12% Perm. Int. Bearing Shs. £600.0
Ingersoll-Rand $0.175
Jessups Cv. Rd. Pf. 3.65p
London (Corp. of) 3½% Db. 1983/93 £1.75
London (County of) 2½% Cons. £0.625
Do. 3% Cons. £0.75
Low (Wm.) 6¾% Cv. Rd. Pf. 3.375p
Lowndes Lambert 8.4p
Lucas Inds. 6½% Cm. 1st Pf. 2.275p
Manul Hanover Leasing Int. Corp. Gtd. Fltg. Rate Sb. Nts. Aug. 1996 *$268.33*
Met. Water 3% B 1934/2003 £1.50
Mexico 16½% Ln. 2008 £8.25
Oldham (Met. Borough) 11.25% Rd. 2010 £5.625
P & O 3½% Db. £1.75
Do. 3½% 2nd Db. £1.75
River Plate & Gen. Inv. Tst. 5% Cm. Pf. £1.75
Sainsbury (J.) 8% Irrd. Un. Ln. £4.00
Schneiders (S.) 6% Cm. Rd. Pf. 2.1p
Slough Estates Cm. Cv. Rd. Pf. 4.125p
South West Water 14.6p
Sturge 2.75p
Tarmac 6¼% Db. 1989/94 £3.125
Do. 6¾% Db. 1989/94 £3.375
Do. 7½% Db. 1992/97 £3.75
Transcanada Pipelines 16½% 1st Mtg. Pipe Line Bds. 2007 8.25p
Treasury 8¾% Ln. 1997 £4.375
Treasury 14½% Ln. 1994 £7.25
Union Carbide $0.1875
USLIFE $0.43
Welpac 0.2p
Witan Inv. 8% Db. 1996/99 £4.00
ISETAN 6.2% Nts. 1999 Y163611.0
Letinvest 10¼-11¼% Stppd. Int. 1st. Mtg. Db. 2012 £5.625
Partridge Fine Arts 1p
Prospect Inds. 0.25p
Royal Hotel 6.1% Bd. 1997 Y152500.0
Saleland 0.14p

■ TODAY
Aberdeen (City of) 10.8% Rd. £5.40
Low & Bonar 6% 1st Cm. Pf. 2.1p
Do. 6% 2nd Cm. Pf. 2.1p
Do. 5½% 3rd Cm. Pf. 1.925p

■ TOMORROW
Adam & Harvey 6p
Ivory & Sime 4.5p
Local Authority 10$\frac{21}{32}$% Bd. 2/9/92 £5.4741
Meyer Intl. 12.3p
Sanyo Electric 6% 1997 Y133264.0

■ THURSDAY SEPTEMBER 3
Conversion 9% 2000 £4.50
Countryside Props. 1.41p

■ FRIDAY SEPTEMBER 4
Aberforth Smaller Co's 2.1p
Aberforth Split Level 3p
Do. Inc. 3p
Abtrust New Dawn Inv. 0.5p
Anglian Water 5⅛% I.L. Ln. 2008 £3.0122
Boeing $0.25
Exmoor Dual Inv. Tst. 2.7p
Gillette $0.18
Graig Shipping 2.5p
Do. A N/Vtg. 2.5p
Inco $0.25
Nat. Medical Enterprises $0.12
Northern Foods 9.27p
Thames Water 12.8p
Woolwich Bldg. Society Fltg. Rate Nts. 1996 £255.14

■ SATURDAY SEPTEMBER 5
Joseph (Leopold) 12.75p
Do. 9¼% Un. Ln. 1997/2002 £4.625

■ SUNDAY SEPTEMBER 6
Bank of Greece 10¾% Ln. 2010 £5.375
Creditanstalt-Bankverein Fltg/Fixed Rate Nts 2002 $2583.33
Dares Estates 8% Un. Ln. 1992/97 £4.00
Waddington (J.) 10½% Db. 1990/95 £5.25
Whitbread 9¾% Rd. Db. 1991/96 £4.875
Yorkshire Chems 10% Db. 1991/96 £5.00

RESULTS DUE

THE interim results season, which had taken a breather during most of August, springs *back to life on Thursday with a* clutch of companies reporting.

Williams Holdings, the industrial conglomerate, is expected to have suffered a fall in half-year pre-tax profits from £76.5m to around £73m. Earnings per share are also likely to be down to 10.5p from 10.9p. The interim dividend is expected to be unchanged at 5p. Most of Williams' divisions have been affected by the recession on both sides of the Atlantic and are expected to show a fall in profits. This is expected to more than offset contributions from Yale and Valor, the locks and domestic appliances group, bought last year in an agreed deal.

Rolls-Royce, the aircraft engine maker, continues to claw its way back from its dismal interim results last year. Pre-tax profits should be back to nearly £40m from £11m a year earlier. A positive factor has been the slow recovery in sales of engine spares.

Burmah Castrol, the lubricants, chemicals and fuels company, is expected to announce interim pre-tax profits for the six months to June 30 of about £78m, resulting in net income after tax and minorities of about £39m. This compares to profits and net income of £72.2m and £33m respectively for the first half of last year. Lubricants, which includes Castrol automotive oils, is expected to have performed well although the chemicals division is expected to be down.

Ladbroke should edge ahead about 5 per cent to interim pre-tax profits of £100m-£105m. The picture at none of its main divisions is particularly exciting.

T&N is likely to turn in a creditable £30m in interim pre-tax profits, up from £20.3m a year earlier. Although the car parts business remains very tough, it has picked up market share and won orders on new vehicle models.

Reckitt & Colman, the food and household products maker, has had a static first half with pre-tax profits close to last year's £128m. Cookson, the materials maker, is also likely to have had a flat first compared with last year's £34m. But its heavy rationalisation programme of the past year is starting to pay off.

ECONOMICS

Focus turns to Germany

THE focus this week turns to Germany where important data on the real economy are due. The figures will be watched all the more keenly following the recent turmoil on the currencies markets.

In June, German industrial production fell by 2.1 per cent and although the drop was explained away by an early start to the summer holidays, industrial output has fallen month-on-month since April. Another drop in July could improve sentiment towards the dollar, since the weaker the German economy, the sooner the Bundesbank is likely to cut interest rates.

But according to Ruth Lea, chief economist at Mitsubishi Bank, there are still no signs of serious recession in west Germany. "So on this count there is not room for early Bundesbank easing," she says.

Unemployment in west Germany is forecast to rise by 20,000 as employment prospects weaken. However, the unemployment rate for west Germany, at around 6 per cent is still lower than in France, the UK and Italy.

In the UK, figures for August's official reserves should give some indication of the extent of the Bank of England's intervention to support the pound last month.

Other economic highlights of the week are listed below. The median of economists' forecasts from MMS International are in brackets.

Yesterday: UK, Bank holiday, markets closed; US, new home sales (587,000), August Chicago national association of purchasing managers index, August agricultural prices; Canada, second quarter real GDP, second quarter consumption, second quarter nominal current account, June real GDP at factor cost; Japan, July construction orders, July housing starts (up 1.7 per cent on year), July construction starts, August trade balance; Australia, July current account, seasonally adjusted (A$0.99bn deficit).

Today: US, July leading indicators (up 0.1 per cent), August NAPM index (54.0 per cent), July construction spending (up 0.5 per cent); Japan, August foreign exchange reserves.

Tomorrow: US, July factory orders (down 1.8 per cent), July factory shipments; UK, August official reserves (down $800m).

Thursday: Germany, Bundesbank holds regular council meeting, second quarter GNP, west (down 1 per cent), August unemployment, west (up 20,000), July employment, west (down 15,000), August vacancies, west (down 5,000), August unemployment, east (up 10,000), August short-time work, east (down 25,000).

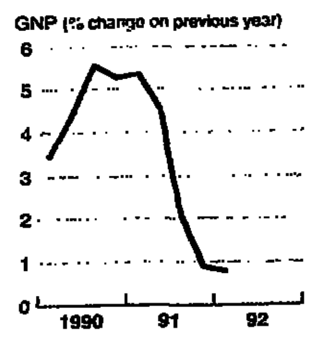
Friday: Switzerland, August Zurich CPI, August federal CPI (up 0.4 per cent on month, up 3.7 per cent on year); Canada, August employment growth, August unemployment rate; Japan, July trade balance, July current account, August foreign bond investment; New Zealand, second quarter producer price index for inputs and outputs; Finland, 1993 budget presented.

During the week: Germany, July trade balance (DM2bn surplus), July current account (DM4.5bn deficit), July industrial production (up 0.5 per cent on month), July manufacturing output (up 0.5 per cent on month); Switzerland, second quarter GDP (down 0.4 per cent on year), August unemployment rate (3 per cent); Italy, August CPI (up 5.4 per cent on year).

Emma Tucker

West Germany

GNP (% change on previous year)



Source: Datastream

CONFERENCES & EXHIBITIONS

SEPTEMBER 9
VAT - The Constant Change
Ernst & Young will be holding an afternoon VAT conference at the QEII Conference Centre, with sessions on The Single Market, Excise & Customs duties, VAT case law, property transactions and recent developments. Fee £94. Contact: Elizabeth Chinoy, Ernst & Young
Tel: 071 931 2438 Fax: 071 931 1120
LONDON

SEPTEMBER 9-10
Introduction to Options Course - Parts 1 & 2
Day 1: Basic Terminology, Option Pricing, Trading & Hedging Strategies; Day 2: Volatility, Advanced Trading Strategies, Portfolio Management. Venue: Cambridge Science Park, CAMBRIDGE. £345 (1 day only), £595 (both days). Contact: Gillian Beckett, Brady Financial Seminars. Tel: 0223 423250
CAMBRIDGE

SEPTEMBER 14-15
Successful Selling in '92
The premier Conference and Exhibition *for sales and Marketing professionals.* Open to everyone in selling and sales management who wants to be more productive, more professional and more successful. Free admission to the exhibition. Contact: Institute of Sales and Marketing Management. Tel: 0582 411130 Fax: 0582 453640.
LONDON

SEPTEMBER 14-17
FIRE 92
The national conference and exhibition for the whole fire protection profession. The Winter Garden, Eastbourne, Sussex
Contact: Jane Malcolm-Coe, FMJ International Publications Ltd
Tel. (0737) 768611. Fax: (0737) 761685
EASTBOURNE

SEPTEMBER 15-16
SEEBOARD Technology Fair
A two day exhibition and business forum at the Brighton Centre aimed at highlighting the expertise of small and medium sized companies and promoting technology transfer in its broadest sense by extending existing links between manufacturing companies, consultants and Universities. Dr Steven Hamblyn
0273 607896
BRIGHTON

SEPTEMBER 16
Investment and Export Opportunities - Indonesia
A major international conference on the opportunities and issues involved in the dramatic growth of Indonesia addressed by distinguished speakers from Indonesia, the Netherlands and U.K. Contact Wendy Orr at SGS Tel: 0276 691133
LONDON

SEPTEMBER 17
Quality in Financial Services - doubtful concept or blueprint for profit?
How do you build Quality into your operation? This conference will demonstrate to you how the principles of Quality can be applied specifically to financial service organisations. Call Ian Douglas at International Conference Group on 081 579 5106.
LONDON

SEPTEMBER 17-18
Introduction to M & A in Europe
If you are considering a European acquisition, there is a 50% chance that it could fail. Minimise the risks by taking advice from top experts who will take you through the acquisition maze in Europe. Contact ACQUISITIONS MONTHLY
Tel: 071 823 8740 Fax: 071 581 4331
LONDON

SEPTEMBER 18-20
W.D. Gann Workshop/Seminar
By Les Clemens.
An exciting three day opportunity of instruction by one of the most successful Gann traders in America. This course is for Amateurs and Professionals alike. Call 0728-73413 or Fax: 0728-73656 for information pack.
LONDON

SEPTEMBER 20-22
Zero - 3.5 tonne Refrigerated Van Show
The Exhibition for companies affected by the latest UK and EC Food Hygiene *Transport Regulations. Wembley* Exhibition Centre. Contact: Lorraine Rogers, FMJ International Publications Ltd. Tel: (0737) 768611
Fax: 0737 761685.
LONDON

SEPTEMBER 21
Value Based Planning and Shareholder Value
Strategic Planning Society Conference. Concepts, techniques and UK experience of this emerging approach to increasing shareholder value. Key speakers: Joel Stern, Stern Stewart, New York; Kenneth Favaro, Marakon, London. Panellists: D.J. Houlder, Blue Circle; P. McNamara, Lloyd's Bank. *Details:- Jo Hoyle, Strategic Planning* Society 071 636 7737
LONDON

SEPTEMBER 21
Creating World-Class Products
CBI/DTI Conferences which considers ways to create a culture of constant innovation by examining the best practices adopted by a range of companies of differing sizes operating in international marketplaces. Contact Nicki Cann, CBI conferences 071 379 7400
LONDON

SEPTEMBER 21 – 22
The 1992 European Accountants' Forum
"Open Minds Open Markets...Open Risks." Within the EC and throughout Europe there are widely divergent views about the direction and the problems facing the accounting profession. Learn from the major players in the market. Contact: Anne McGlynn, Lafferty Conferences. Tel: (+353-1) 718022. Fax: (+353-1) 713594
LONDON

SEPTEMBER 23
Business Process Re-Engineering (BPR)
CBI/Develin & Partners conference, chaired by BRian Redhead, which examines the latest development in this new, emerging field through practical descriptions by organisations who have undertaken BPR reviews. Contact: Karen Trevitt, CBI Conferences 071 379 7400
LONDON

SEPTEMBER 23-24
Introduction to Bonds, Bond Futures & Bond Options
Day 1: Bond Markets, Redemption Yield, Yield Curves, Bond Futures; Day 2: Option Terminology, Option Pricing, CTD, Speculation, Hedging & Arbitrage. Venue: Cambridge Science Park, Cambridge. £345 (1 day only), £595 (both days). Contact: Gillian Beckett, Brady Financial Seminars. Tel: 0223 423250.
CAMBRIDGE

SEPTEMBER 23-25
Introduction to Venture Capital
From generating deal flow to finding an exit for portfolio companies, the evca Institute, taught by senior investment professionals, introduces the principles of venture capital industry using a case study approach. Contact. Catherine Lewis, European Venture Capital Association, Tel 32 2 720.6010. Fax 32 2 725.3036
LONDON

SEPTEMBER 24
Go for Green - Reap the Rewards
Enhancing environment practice can be a positive challenge with commercial and ethical rewards. Ignoring these issues could prove disastrous for your company. This Institute of Directors Conference is vital for all-Directors and Company Secretaries. Enquiries:- Director Conferences 071 730 0022
LONDON

SEPTEMBER 28
Education White Paper - Ideal outcomes?
Key education experts will be joined by *the Rt Hon John Patten MP who will* outline the Government's proposals set out in the White Paper. The operation and effectiveness of the proposals will also be discussed. Contact: Sandra Aldred, CBI Conferences, 071 379 7400
LONDON

SEPTEMBER 28-30
Enterprise Development in Eastern Europe
Major conference for executives of private/public companies and academics, at Manchester Business School, to discuss the latest opportunities and issues involved in the dramatic growth of Enterprise Development in Eastern Europe. Contact Susan Hogan, 061 275 6539
MANCHESTER

OCTOBER 5
The City Crude Oil and Oil Product Trading Conference
Skinners' Hall in the City of London. Cityforum Ltd in association with the International Petroleum Exchange of London. Sponsored by Andersen Consulting, Clifford Chance, IBM UK Ltd, The Wall Street Journal Europe and Telerate. Enquiries to: Lindsey Neil. Tel: 0225-466744 Fax: 0225-442903
LONDON

OCTOBER 5 - NOVEMBER 23
FT - City Course
The course is designed to provide a broader understanding of all aspects of the City of London and the factors that make it a pre-eminent financial and trading centre. Enquiries: Financial Times
Tel: 071-925 2323
Fax: 071-925 2125
LONDON

OCTOBER 6-8
Public Works and Europe
Top speakers at the British Public Works Association Conference will address the impact of a unified Europe at the National Agricultural Centre, Stoneleigh Park. Running in parallel in the BPWA Exhibition, a shop window for the public works industry's decision makers. Telephone: Jocelyn Marsh 0784 452748
WARWICKSHIRE

OCTOBER 7
Strategy and Planning in the Corporate and IT Domains
A seminar in 3 sessions at the LSE for senior executives involved in Corporate strategy and the management and planning of information systems. Continuing 4 november, 2 December. Fee: £290. Contact: Short Course Office, LSE, Houghton Street, WC2A 2AE. Phone: 071-955 7227. Fax: 071-955 7676
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OCTOBER 8-9
Know Your Competitors
Competitor Intelligence & Analysis. A practical two day seminar/workshop from the UK's No 1 specialists. Practical case exercises, *successful case studies.* Guest speaker who is head of a major company's intelligence unit. Contact Patricia Donnard, EMP Intelligence Service. Tel: 071-487-5665 Fax: 071-935-1640
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OCTOBER 12-13
Managing Financial Risks
The workshop is an intensive, practical course aimed at those who wish to understand the principles and practices of financial risk management. Enquiries: Financial Times, Tel: 071-251 9321
Fax: 071-251 4686
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OCTOBER 14-15
Responses to Rio: The Business Impact
A 2 day symposium hosted by Imperial College's Global Environmental Research Centre, to provide authoritative information form eminent world experts on the Rio Summit, with crucial discussions on Agenda 21. For enquiries: Pamela Manser, Tel: 071 225 8666/7. Fax: 071 225 8668
LONDON

OCTOBER 15
Oil & Gas Russia PSR
Conference discussing impact of new Russian Petroleum Law on foreign companies; present & future exploration programmes; co-operation between foreign companies and enterprises in the post-soviet republics. Contact: The Conference Secretary, tel: (081) 547 2411 fax: 081-547 2157
LONDON

OCTOBER 19-23
African Business Show '92
A five day Conference and Exhibition focusing on starting or developing a better *business link in, with and from Africa.* Conference Speakers, Exhibitors and Delegates will be from governments international organisations, commerce and industry. Enquiries: - Imagemakers International Quaquaversal plc Tel:- 071-739-8410 Fax':-071-739-8683
LONDON

OCTOBER 20
Business Information in the Oil Industry - Working for Success
This conference is aimed at those providing business information to companies within the Oil Industry. Contact: Caroline Little, Institute of Petroleum. Tel: 071 636 1004.
Fax: 071 255 1472
LONDON

OCTOBER 21-22
Marketization of the CIS
The Banking and Finance Sector
Top Ministers and Bankers from East and West discuss the development of new financial and banking structures in the five key republics of the former Soviet Union. Contact: *The Adam Smith Institute*, Amanda Armstrong, Tel: 071 490 3774 or Fax: 071 490 2296
LONDON

OCTOBER 22
Offshore Supply Vessels
Regulatory Commercial and Operational Issues. This conference is for vessel owners, operators with marine safety and operations managers from oil company charterers, and other interested parties facing problems in this area. Contact: Caroline Little, Institute of Petroleum. Tel: 071 636 1004. Fax: 071 255 1472.
LONDON

OCTOBER 26 & 27
Valuing Companies and Securities - A Practical Guide
It is well known that valuation is an art and not a science. Come and find out the rules of thumb for valuing in a recession, valuing in undeveloped markets, valuing for privatisation, valuing intangible assets and many more. Contact Acquisitions Monthly Tel: 071 823 8740
LONDON

NOVEMBER 2
North Sea at the Crossroads
How can the Scottish oil supply sector safeguard its future as the North Sea *reAches maturity? Experts assess the* issues and share practical advice. Aberdeen Conference Centre. Contact: Emma Wood, CBI Scotland, 041 332 8661
ABERDEEN

NOVEMBER 4 & 5
The Emerging European Tax System
Mr H Onno Rudding will give the opening address to *this FT* Conference which will examine the issues raised by the Rudding Report, the problems it has uncovered and the implications of the European tax system for the future. Enquiries: Financial *Times Tel: 071-251 9321*
Fax: 071-251 4686
LONDON

NOVEMBER 5
Changing Business Frontiers in the Asia-Pacific Region
Convened by the Royal Institute of International Affairs and The Strategic Planning Society. To be held at Chatham House, London. Enquiries SPS conferences. Tel: 071 636 7737;
Fax. 071 323 1692
LONDON

NOVEMBER 23 & 24
How to Buy and Sell Unquoted Companies
Are you tired of employing others to help you buy and sell? This unique "DIY" course addresses the practical realities of buying and selling a company and how to minimise the risks involved. Contact Acquisitions Monthly Tel: 071 823 8740 Fax: 071 581 4331
LONDON

NOVEMBER 26
Financial Reporting in the UK
The conference will review the Accounting Standards Board's progress and proposals for the treatment of capital instruments, profit and loss accounts, the operating review, off-balance sheet instruments and intangibles. Enquiries: Financial Times Tel: 071-251 9321
Fax: 071-251 4686
LONDON

INTERNATIONAL

SEPTEMBER 14 - 16
Eledis '92
Conference & Exhibition on electronic data interchange for open systems in business and administration. From EDI to Multimedia through Image Interchange and Intergrators (CALS, EPHOS, OTI,...) By core team who launched the EDI concept in Europe. Information : Xcoms International SA. Tel.: +.32.10.411172 Fax: +.32.10.411742
BELGIUM

SEPTEMBER 27-29
Colombia: Capital Markets & Investment
Organised in association with the Colombian Finance Ministry, speakers from the Colombian Government, Financial & Industry sectors will examine recent developments in the financial markets & the opening up of the economy to foreign investment. Contact: Arleen Kestenbaum, Euromoney New York TEl: 212-941-5880 Fax: 212-941-5807/5808
CARTAGENA, COLOMBIA

SEPTEMBER 28 & 29 .
EGYPT: Business, Finance & Investment
This seminar will examine Egypt's economic development & investment opportunities. Delegates will be able to meet ministers & other government officials in charge of privatisation, industry & finance to discuss policy & practical issues. Contact: Bonnie Bristow, Euromoney Tel: 071-799-8833 Fax: 071-779-8835
CAIRO

SEPTEMBER 30 - OCTOBER 1
The Corporate Creativity Conference
An international top management level event featuring Dr. Edward de Bono, Gary Hamel, Tony Buzan and Mark McCormack. Joining this distinguished faculty are several CEOs and other senior corporate executives. For information contact Karen O'Donnell at Management Centre Europe. Fax: 32-2-511-3031
BRUSSELS

OCTOBER 8-9
Competitive Intelligence
Strategies Objectives, Organisation, Techniques, Tools, Analysis. Seminar presented by Kirk Tyson, author of "Competitor Intelligence Manual & Guide." For managers and analysts with business development, planning, and *research responsibilities. Also in Berlin* 5-6 October, and in Bratislava 8-9 December. Contact IIB SA, Geneva. Tel: (41) 22 788 2751. Fax: (41) 22 788 2726
BRUSSELS

OCTOBER 15-16
First Indian International Aviation Congress - Changing Scenario
Aviation regulatory liberalisation, future financing trendsm, new market strategies, mergers and alliances and manufacturing for the 21st century will all be discussed. Contact: FBMA Limited, Hong Kong Tel: (852) 891-1911 Fax: (852) 572-2093
BOMBAY

OCTOBER 29-30
Conference on Securities Clearing and Settlement in India
Topics to be discussed will reflect the latest developments in custody and clearing as it relates to the *growing Indian* market. Contact: FBMA Limited. Hong Kong Tel: (852) 891-2911
Fax: (852) 572-2093
BOMBAY

NOVEMBER 9 - 12
Berlin International Property Show
The premier exhibition and conference in Berlin for sales and marketing executives in property. Significant representatives of prolitic authorities, banks and organized by the World Association for Prupert Investment and Construction. Enquiries: WAPIC Geneva Phone: 41 22 7 989 989. Fax 41 22 7 910 885. Or CODETEM Brussels Phone: 32 2 347 30 62. Fax: 32 2 346 12 67.
BERLIN

NOVEMBER 11 & 12
Doing Business with Russia
A practical high-level forum to discuss the investment opportunities in the new Russia, how to address them, business problems of structuring deals, legal, tax and financial issues. Enquiries: Financial Times Tel: 071-251 9321
Fax: 071-251 4686
MOSCOW.

NOVEMBER 11 & 15
ExpoShipping Istanbul '92 - International Shipping Exhibition and Conference
Organized in cooperation with Lloyd's Ship Manager Magazine this five day exhibition and conference will bring together the representatives of the Turkish and International Shipping Community. Please contact Ms Serra Talashi for further information: Tel: (901) 274 23 85 86/87 Fax: (901) 273 27 24
ISTANBUL

FINANCIAL TIMES SURVEY

SAXONY

Reviving Dresden, Leipzig and Chemnitz: a tale of three proud cities Page 2

A rich cultural heritage beneath half a century of poverty and grime Page 3

Tuesday September 1 1992

Restoring the prosperity of Saxony, once one of Germany's richest regions, is an important task in the difficult and costly reconstruction taking place after the country's east-west reunification. **Andrew Fisher** reports on progress so far

Hungry to succeed

An equestrian statue of Augustus the Strong, once Elector of Saxony, prances in Dresden, the provincial capital

Pictures in this survey by Tony Andrews

ONE OF the greatest economic transformations of the century is taking place in eastern Germany, and the exciting, arduous, and highly frustrating process is at its most visible in the state of Saxony.

Anyone visiting the region today would find it hard to imagine that Saxony was once one of the richest parts of Germany, with an industrial tradition that would have kept it at the forefront of European prosperity but for 12 years of Nazi tyranny (including the devastation of the Second World War) and 40 years of Communist domination.

Despite the surge of private and public investment into the state and the intense efforts being made to improve the ragged infrastructure, it takes only a brief walk round any city, town, or village to realise that the task of reconstruction is enormous. Many roads are still rutted, rail travel is slow and unreliable and the dirt and neglect of decades is proving hard to scrub away.

Yet the same walk is also likely to reveal enormous progress. Before the Berlin Wall came down in November 1989, and the German border was flung open, East Germany's streets were drab and lifeless, the range of goods in the shops was pathetic by western standards and queuing was a way of life. Today the queues are gone. Shop windows are varied and colourful and city streets are full of life.

Because the economic, social and psychological relics of the past are proving more costly and time-consuming to overcome than most people expected – and many politicians led them to believe – the transition from communist central planning to the opportunities, and risks, of the free market is accompanied by much discontent and protest, as well as hope and optimism.

On balance, the positive still outweighs the negative in most people's minds. Mr Kurt Biedenkopf, the conservative Christian Democrat (CDU) prime minister of Saxony, constantly quotes opinion polls which show that people in Saxony are still generally more satisfied with their present situation, and with the future outlook, than they were previously. He has never hidden the awkward truth of the real state of the old East Germany, and the immense costs and efforts required to drag it up to western economic standards.

"People do not lack confidence and they mostly see the future positively," he says. Because he was not one of those who painted too rosy a picture of prospects in the election year of 1990, people in Saxony are mostly prepared to believe Mr Biedenkopf when he talks of the tremendous opportunities in store for the state. Certainly, the local Social Democrat (SPD) opposition has no-one with anything like his stature, and knows full well that attacking him would not bring it popularity.

One of the strengths of Saxony, with a population of 4.9m, is its strong sense of identity – although the communists tried to obliterate this when they abolished the individual states. Cities in Saxony, notably Leipzig, were a powerful source of grassroots opposition to the scorned regime of Erich Honecker in its final days. Like Dresden, Leipzig had been in constant struggle with East Berlin, the former East German capital which enjoyed extensive political and economic privileges.

Today, Dresden is the capital of Saxony, with Leipzig developing as a commercial and financial centre. Both places are full of building sites, around which essential road repairs and improvements cause constant traffic hold-ups. But these inconveniences show the speed at which reconstruction is proceeding, despite the horrendous handicaps of property disputes, administrative delays caused by inexperience and the sheer weight of work, and the economic disruption stemming from the collapse of the old economic system.

The challenge is inspiring, however, and often dispiriting. Numerous officials, managers and other experts have come from the west to participate in the economic, political and social rebuilding of Saxony. With good accommodation in short supply (and outrageously priced when available), and a crushing workload, such a degree of commitment is not to be entered into lightly.

One such "transplant" is Mr Rüdiger Thiele, state secretary at Saxony's economics ministry and a former senior official in the Bonn Chancellery. Like many of his colleagues in Dresden and in the rest of the state, he sees the task of restoring the state's prosperity as invigorating, essential in the creation of a new identity for a country still coming to terms with unification between the capitalist west and the once-communist east.

"In west Germany, people have become rather smug and self-satisfied," Mr Thiele says. "Years of prosperity make people lethargic. Here, people are hungry to succeed. A new generation is developing which has to be tough to be successful against the established systems and structures of the west."

This view is in line with Mr Biedenkopf's assertion that east Germans are capable of bearing more economic and social burdens than people in the west because of efforts they have made to break with the past and their belief that their lives will improve.

For the moment, though, they are living in a very uncertain present. Unemployment and short-time working are high. The least competitive, most inefficient, and most environmentally offensive of the old companies have closed; the survivors struggle to become more productive by shedding staff and closing peripheral operations.

A new layer of *Mittelstand* (small- and medium-sized) businesses is growing up in what was formerly East Germany to provide a much-needed dose of entrepreneurial vigour. Under the old regime, these were squeezed into big industrial combines, so that the *Mittelstand's* contribution to economic prosperity, vital in West Germany, was crushed.

At this stage it is hard to assess the impact *Mittelstand* companies will have on Saxony's economy, or how robustly they will develop. More attention has been directed to the big headline investments such as those of Volkswagen, Siemens and other German and foreign concerns. It is these which give Saxony a positive sense of its economic destiny, and offer hope that today's tribulations will be tomorrow's successes.

But Saxony's future also depends on the survival of its cultural heritage, kept alive through the years of dictatorship and Stalinism. This ranges from the big opera houses and orchestras of Dresden and Leipzig – where Kurt Masur, a key figure in the events that toppled the East Berlin regime, conducts the famed Gewandhaus orchestra – to smaller establishments around the state. While these are a vital part of Saxony's attractions, they are proving increasingly hard to pay for.

It is unclear how far Bonn will continue helping to finance Saxony's cultural assets. Mr Hans Joachim Meyer, the English professor who is minister for science and culture, is doing his best to prise more money out of the German federal government. But the provision of funds for culture depends on the health of the economy, and the Bonn government is trying desperately to control the flow of money to the east.

"We have to accept the need for a prolonged period for the reconstruction of east Germany," Mr Meyer says. "People here will have to accept lower standards of living for a longer time and people in west Germany will have to pay for the east for longer."

In Saxony, people are resigned to some difficult years before their efforts and patience pay off. When they do, however, the state will be ready to take its place among the most prosperous and vibrant, as well as scenically attractive, parts of Germany.

Past economic mismanagement carries a high price tag

Industry battles to catch up

IN THE centre of Dresden, a big yellow sign proclaims that the war-bombed ruins of the Taschenberg Palace, now a gaping baroque facade, are to be turned into a luxury hotel.

An hour along the motorway, in Chemnitz, the remnants of a demolished chemical factory are being removed to make way for a new business park. Piles of scrap machinery lie next to a neat red brick building which will be retained as a link with the past.

Further west, the cathedral in Zwickau – near to the site where Volkswagen is building a big car plant – is covered in scaffolding. At one end of the dark, vaulted interior, restorers put back a gilded female figure on the high 15th century altar. Across the road, Horten, the West German store group, has installed itself in modern premises. Jeans and T-shirts are on sale in an old, unpainted building nearby.

Signs of regeneration such as these abound in Saxony, the state in eastern Germany which once led the country in industrialisation.

It was here that the world's first mechanical cloth-weaving looms, portable typewriters, and single-lens reflex cameras were made. Chemnitz and Zwickau were important centres of the pre-war car industry; the four-ring emblem of Audi (a VW subsidiary) represents the four Saxon companies that merged to form the carmaker.

Few local companies can survive in their pre-unification form, if at all

Long before that, the state had prospered from silver mining in the Erz mountains. But while Saxony can look back to a rich economic and cultural past, linking up with that tradition after more than 40 years of central planning is proving costly and traumatic. Few local companies can survive in their pre-unification form, if at all, a notable exception being Meissen, the renowned porcelain manufacturer.

As in the rest of East Germany, industry in Saxony was subordinated to the ruthless demands of communist planners. Production targets came before environmental needs, selling to eastern Europe took precedence over satisfying local consumers, and industrial concentration supplanted diversity.

The sorry results are plain to see. Industry lagged well behind western standards of innovation, technology, and productivity as output was forced ahead and investment neglected. With the coming of the D-Mark, the unsuitability of many products for western markets and the unrealistic cost basis of East German industry were ruthlessly exposed. The collapse of Comecon was a further blow.

Among the hardest hit sectors have been textiles, electrical and electronic goods, iron, steel, and metalworking, timber and plastics processing, and engineering. Because Saxony accounted for a third of East Germany's industrial output, the state is paying the price for economic mismanagement. While unemployment is below eastern Germany's average, at about 14 per cent or 326,000 people, a further 101,000 are in temporary job creation schemes, 150,000 are being retrained, and 122,000 are on short time. Many more have simply retired early.

Investment to create new jobs is flowing in, but it will take years before Saxon industry catches up with the west. Along the way, though, the state will obtain some of the world's most modern facilities. Apart from big corporate investors such as VW, Siemens, Bosch, MAN, Linde, Quelle, and Degussa from Germany and Philips (Netherlands), Enso-Gutzeit (Finland), the Swiss-Swedish ABB, Tarmac (UK), Coca-Cola, and Philip Morris (US) from abroad, there is a high volume of spending on new infrastructure.

By the end of the century, some DM15bn will have been spent on telecommunications in Saxony. Last year, DM1.8bn went on roads and DM2.5bn on the rail system, with DM2.75bn being spent this and next year on the energy network. Large sums are going on the refurbishment and reconstruction of public buildings and facilities. "Saxony had the telecoms and traffic infrastructure of 1939," says Mr Rüdiger Thiele, state secretary at Saxony's economics ministry.

Large though the flow of new business investment may be – some DM50bn, including future spending commitments – it lags behind the region's needs. Officials would like more foreign investment. "Foreign companies can't ignore east Germany and Saxony," says Mr Walter Rogg, chief executive of the Saxony Economic Development Corporation. "Lots of companies are waiting to see how things develop. The infrastructure will be better later, but financial incentives will not be so generous and the best workers will have been taken."

It is mostly German companies which have taken the investment plunge

Mr Helmut Wotte, head of the Dresden branch of the Treuhand, the East German privatisation agency, agrees. "We need a more international touch in our investments. Some companies, like the Japanese, want hard and fast information; they are only interested in companies they can assess under their own standards." Yet companies in Saxony have not reached the stage at which this is possible.

Hence it is mostly German companies, motivated by both national and business considerations, which have taken the investment plunge. It is not only in manufacturing, construction and services where this has occurred. They were also quick to snap up opportunities in the food and drink sector, where investment in breweries, dairies, slaughterhouses and other facilities is likely to total about DM3bn. Saxony's beer and wine, at least, will survive the transition to the free market.

Andrew Fisher

Andrew Fisher looks at the region's largest corporate investment

VW takes economic lead


The new Volkswagen Golf in production near Zwickau: trying out new techniques

VOLKSWAGEN is the most obvious symbol of Saxony's economic regeneration, hesitant though that may yet be. At Mosel, near the town of Zwickau, VW already employs 2,300 people and will have twice that number in two years' time.

Visitors to the Mosel site, where a big plant is being constructed, are guided along the country roads by the VW emblem which the local authorities have allowed to be painted on to their signs. VW did not have trouble persuading them. It is investing nearly DM5bn in east Germany, most of that in Saxony, at the Mosel car plant and the Chemnitz engine facility.

The presence in Saxony of the largest corporate investment in east Germany is proof enough, if proof were needed, that this is the region with the best chance of economic success. "Every investment has a symbolic character," says Mr Gerd Heuss, general manager at VW Sachsen. "But this is also an investment with new standards of technology and equipment."

From the mid-1990s VW will produce up to 250,000 cars a year from the new plant being erected beside the building where the choking little Trabants – the butt of numerous jokes – were made.

VW is already assembling cars in the existing building – completely revamped; the products and manufacturing methods are light years away from those of the Trabi days. In July, in Mosel, VW started production of its latest Golf model. It aims to turn out a daily average of 380 cars next year, having reached 250 a day in 1992 with the old model. The new plant will be capable of 1,200 a day from 1994.

VW is already trying out some new techniques which will be used in the new facility. Whole "front-end" assemblies of bumpers, lights, grilles and radiators are delivered by a local supplier and inserted straight on to the car. The same is true of instrument panels, wheel and tyre units, seats and other units.

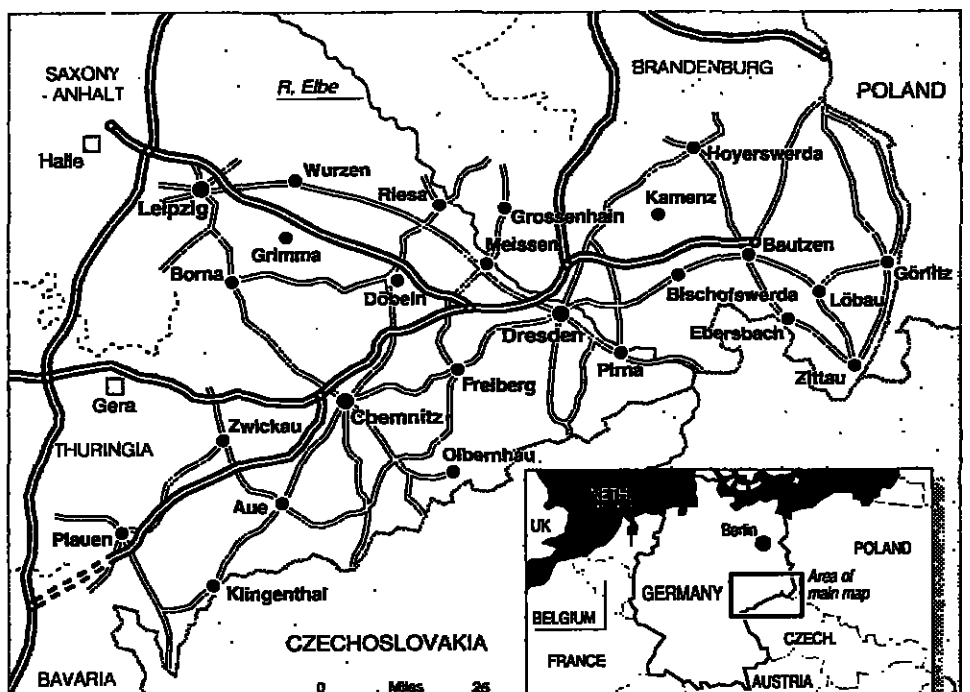
Components makers such as Siemens, VDO, Alibert of France and Britain's GKN have already set up local operations. VW works with nine components system suppliers and plans to raise this to 15. Mr Heuss says VW hopes to save up to 15 per cent of component costs – parts and materials account for some 60 per cent of total manufacturing costs – by having assembly systems delivered as they are needed.

The benefits for the area are already considerable, though Saxony as a whole is afflicted with the same economic upheaval as the rest of east Germany. Zwickau, an historic town which once drew its prosperity from the silver mining in the nearby hills, is undergoing a revival as the result of VW's nearby presence.

Apart from jobs at VW, at least 20,000 more will be generated at supplier companies by its investment in east Germany, also including a cylinder head plant in Eisenach, Thuringia. Most of these supplier jobs will be in Saxony. VW now buys DM1bn worth of east German-made parts a year.

One part of the new Mosel plant is already operating. With the help of 123 orange robots, body panels are made for the Golfs being assembled next door. All that remains of the old days is the sight of a few Trabis in the VW car park.

Andrew Fisher



DRESDEN

Where they spend it

DRESDEN, the state capital of Saxony, is a city with a magnificent and turbulent past and a potentially glittering future. The present-day reality contains elements of both, as Dresdeners struggle bravely with the frustrations and hopes of recapturing the city's former prosperity and elegance.

The past can be seen from the views of Dresden in its heyday painted by Canaletto. High over the baroque city, sited so dramatically on the River Elbe, soars the Frauenkirche (Church of our Lady), the beautiful domed protestant church.

When Dresden was battered by Allied bombs early in 1945, the Frauenkirche collapsed, its baroque heritage seemed lost for ever, and Gerhart Hauptmann, the Nobel prize-winning author, was moved to utter the cry that has become part of the city's legend: "Those who have forgotten how to cry will learn again through the destruction of Dresden."

The Frauenkirche is still in ruins, but strenuous efforts are being made to raise funds for its reconstruction.

Other renovations are under way. The baroque Zwinger Palace, built in the reign of Augustus the Strong, Saxony's ruler in the early 18th century, is being smartened up. Most ambitious of all, the elector's palace is being wholly rebuilt.


The Frauenkirche before the bombing of Dresden in 1945

All of these buildings were severely damaged in 1945. Under four decades of communist rule, more old buildings were swept away, leaving Dresden, and its 522,000 people, with its fair share of bleak, nondescript apartment and office blocks as well as districts that have survived war and need refurbishing.

Through all its hardships, the city's heart has continued to beat strongly. As Saxony – like the other east German states – has been recreated under German unity, so has its state capital regained its pride and identity.

Dresdner Bank, headquartered in Frankfurt, was quick to open up premises in the city of its origin. Mr Kurt Biedenkopf, the state premier who made his political name in west Germany, presides over the government in an imposing building overlooking the Elbe.

In summer, open air cafes and restaurants are buzzing and the view from the restored Brühl Terrace above the Elbe, with its broad riverside meadows, allows a glimpse of Dresden's past glories.

For the inhabitants, however, there are more urgent and mundane considerations. The city's infrastructure is in a woeful state, housing is inadequate and social tensions have increased. The city council is having a hard time grappling with these problems, hampered by inexperience and lack of money.

In time, the hurdles will be overcome. With a rich cultural history – Wagner grew up there and Kokoschka painted there – its breadth of academic and scientific institutions, and status as capital of a state striving to revive its former industrial prominence in Germany, Dresden promises again to become one of the most fascinating and exciting of European cities.

Andrew Fisher

LEIPZIG

Where they trade it

IF THE people of Leipzig have one thing in mind when they look towards the future, it is that they want to recreate the glories of the past.

For many centuries the city was an important trade, manufacturing and cultural centre: Leipzig's role as a trade centre dates from 1165, when it was granted the right to hold markets; its university was founded in 1409; Johann Sebastian Bach was cantor of its Thomas Church for 27 years; Richard Wagner was born in the city.

Before the war, Leipzig was as important an industrial centre as the Ruhr. More recently, its 1989 mass demonstrations helped provide the momentum which led first to the fall of the Berlin Wall eventually to reunification.

The old town centre did not suffer as much as Dresden during the last war and so Leipzig is one of the more attractive cities of east Germany. A drab communist past is rapidly being swept away as new vitality enters the city.

With branches of 60 banks established in the city, Leipzig is now rivalling Düsseldorf as the second most important financial centre in Germany after Frankfurt.

Marketing, advertising agencies and public relations companies are choosing Leipzig as a base in the new Länder. Shops and restaurants abound in a way that would have been inconceivable a year ago.


Once and future glories: the centre of Leipzig

But the transition to a market economy has brought its trials. Not everyone has been lucky enough to have found a job as a banker, builder or waiter. Unemployment is high in Leipzig. At the end of June the figure stood at just over 10 per cent (although this is less than the near 13 per cent figure for Saxony as a whole).

Although unemployment in Leipzig is gradually coming down, Mr Claus Von der Decken, a Potsdam-born engineer who worked in the west before returning to Leipzig to run the local branch of the Treuhand, says the general business climate is less favourable than it was last year. "The chief difficulty is that wages have gone up faster than productivity," he complains, "and wages are much cheaper across the border in Czechoslovakia and Poland."

For Hannes Buss, who has just exchanged a comfortable post in Augsburg for that of head of Leipzig's business promotion bureau (*Amt für Wirtschaftsförderung*), the main task for the coming year is to "go on the offensive" in order to attract industrial investors.

He regrets that for all Leipzig's attractions as a business centre, it has failed to draw investment from west German car manufacturers or printing machinery companies. "The potential is there, the workforce is well-educated and adaptable, and the infrastructure will soon be fully in place."

Investment tends to be in the service sector. An ambitious example is that of SachsenLB, the newly created regional bank serving the government of Saxony and savings banks.

The bank, which will also pursue commercial business, is to employ 250 people by 1994-95, a five-fold expansion from the present headcount. Its shareholders, which include the Südwest LB (the Stuttgart-based Landesbank for South-West Germany), are investing a total of DM500m.

On a larger scale are plans to invest DM1.2bn in new premises for the old trade fair. Its former role as a bridge between the communist world and the west has vanished and it is now concentrating on hosting fairs in three areas: the environment, transport and industrial technology.

David Waller

CHEMNITZ

Where they earn it

THE CITY of Chemnitz had the dubious distinction under the East German communist regime of being renamed Karl-Marx-Stadt – a move quickly reversed when the political tide turned.

Yet the communist philosopher's huge stone head still dominates the city centre and there are no plans to remove it. In spite of the unfortunate associations with the past, the city is keeping Marx as an inhabitant.

His presence has nothing to do with any links between Marx and Chemnitz, Saxony's third largest city with nearly 300,000 people. The only connection is that Chemnitz has long been an industrial centre – it was known as Germany's Manchester – with a strong working class tradition.

People there like to repeat that "Chemnitz is where the money is earned, Leipzig where it is traded and Dresden where it is spent." Chemnitz lacks the attractions of the other two. It was badly bombed in the last war, rebuilt on grim utilitarian lines and is now struggling to readjust itself as its industry suffers in the transition to the free market.

From the heyday of silver mining in the nearby Erzgebirge ("ore hills") in the Middle Ages, through the textile boom of the 19th century, to engineering and cars in the modern industrial era, Chemnitz has been at the centre of economic development in Germany and Europe.

"Chemnitz was the cradle of the machine tool industry in Germany," says Mr Matthias Weissbeck, manager of Niles-Simmons, a lathe manufacturer bought by a US concern (and thus with a relatively secure future). The company was able to keep near the forefront of technical development under the old regime, mainly because it sold as much as a third of its products to the west.


Marx's head: all that remains of the Chemnitz statue

Today it employs about 250 people and hopes to move up to 400. To slash costs, it has cut staff; it buys more parts from outside instead of making everything itself, as was common under the former regime. In those days it employed 1,600.

The same process is taking place at Heckert, a name well known in the industry but clouded by uncertainty. Heckert, which makes machine centres and milling machines, has cut jobs from 4,300 to 500 and is slimming down its product range and size to a profitable level. "Heckert was the flagship of the East German machine tool industry," says Mr Wolfgang Sittig, joint managing director.

The company is far from enjoying that role in a united Germany. Now that the Russian market, which took 80 per cent of sales, has collapsed, Heckert has to make its way in the west, where the industry is in hard times and potential buyers are thin on the ground. Yet the mood is determinedly optimistic. "It is costing us a lot of sweat, but we think we will survive," says Mr Manfred Friedrich, Heckert's other joint manager.

The survival mentality is strong in Chemnitz. New business parks are planned and improvements to the infrastructure under way. But the economic turmoil is tremendous, with only around a fifth of the jobs from the old GDR remaining.

This is especially true of sectors such as textiles where low-cost foreign competition is intense. New jobs are not being created fast enough and half the working population is jobless or in job-creation and training programmes.

There are positive signs. Some are economic, such as the robust commitment of Mr Jakob Langenauer, a Swiss businessman, to the textile machinery company, Chemnitzer Webmaschinenbau, which he now heads after his imagination was captured by the fall of the Berlin Wall. "Confidence is the most important thing in competing with western companies. People here are well educated, intelligent, and ready to work together," he says.

In December of this year, the reopening of the restored Opera House at Chemnitz should help confidence along. It was here, for the first time, that Wagner's *Parsifal* was performed outside Bayreuth. For those with the patience to sit through it, *Parsifal* will again be staged in Chemnitz this year.

Andrew Fisher

Philips overhauls a telecommunications factory

The dinosaur wakes

THE STAIRWAYS at Philips' telecommunications factory in Bautzen still bear the unmistakeable look of the old East German style of industry: crumbling concrete and a few faded photographs of local landscapes.

But inside the offices, and in the main assembly shop, it is obvious that an important overhaul has already taken place. New computer terminals stand on the desks, new carpets line the floors, new paint covers the walls and, in the assembly shop, there are new production lines

Little expense has been spared to transform the scruffy old plant producing transmission equipment for the Soviet and Comecon markets into a new operation catering for the mighty Deutsche Telekom's rather more demanding requirements.

From the moment unification became a reality, it was obvious that telecommunications would be one of the first and biggest markets to be opened up for western suppliers.

The East German network lagged far behind the west in both density and sophistication, its development hampered by western restrictions on technology exports and East Germany's mania for keeping communications under the control of its security services.

Deutsche Telekom plans to spend DM55bn by 1997 to bring the new federal states up to the level of the old.

PKI (Philips Kommunikations Industrie) – the Nuremberg-based German telecommunications subsidiary of the Dutch multi-national, already an important contractor to Deutsche Telekom – could have easily produced the necessary transmission equipment back in the west. It decided instead to invest in the east.

"It was clear from the start that whoever wanted to be in there would have to get a base in the east," says Mr Uwe Bartsch, administration manager at the plant. "Deutsche Telekom decided it would favour those contractors who had investments in the region."

This was undoubtedly the most important reason why Philips came to Bautzen. A second consideration was the prospect of opening up new markets in eastern Europe.

"Before unification, the factory in Bautzen exported up to 80 per cent of its products to the rest of Comecon. They had excellent contacts with the East, where we had no real contacts at all," Mr Bartsch said.

So Philips bought RFT Fernmeldewerk in Bautzen from the Treuhand privatisation agency for an undisclosed sum, promising to keep at least 350 jobs of the 1,000 employed there, and drawing up an investment programme totalling DM75m.

Today the plant has been substantially modernised and about DM36m of the investment cash has been spent.

Continued on Page 3

Quentin Peel examines the environment

Crash clean-up

ONE OF the ironies of German unification is that the appalling pollution which used to poison the air of East Germany has dropped dramatically – not because of any great clean-up campaign, but because half the industries which caused the problem have closed down: cleaner air has come hand-in-hand with unemployment.

And yet the inheritance of environmental havoc wreaked by the former communist regime, and by the Soviet army of occupation, promises to be a burden on the impoverished communities of the east for decades to come.

If the whole of East Germany was an environmental disaster area, the state of Saxony can claim to be the worst affected region of all.

Dr Dieter Angst, the appropriately-named state secretary for the environment in Dresden, says that in the west environmental debates are largely ideological. "There we were just debating about figures after the decimal point," he says. "Here we are talking about tonnes. We are carrying out emergency repairs to the environment here, not preventive treatment."

The problems he has to tackle are all too obvious. In the north and east are the huge expanses of opencast brown coal mining: great lunar landscapes, dotted with abandoned machinery, pits, and pools of stagnant water, where nothing has ever been contemplated to return the land to nature. In the south and west, the mining devastation has been caused by the desperate search for uranium to supply the Soviet nuclear weapons' programme in the 1950s, 1960s and 1970s – rape-mining, they call it in the Erz mountains.

Dr Gü Häsel, a geologist in the mining industry, tries to explain how it happened. "At first we could see how things were being allowed to collapse and deteriorate," he said. "But then we got used to it. We had no opportunity to compare our conditions with the outside world. So then you ceased to notice it any more."

The uranium mines (run as a "state within a state" with virtually their own laws and permits by the Soviet-German Wismut enterprise) sold arsenic-rich radioactive tailings for road repairs and farm construction.

Some went into the floors of milking parlours. "It was only when they realised the milk was radioactive that they traced it back to the mines," Dr Häsel said. "They simply did not care. It was criminal irresponsibility."

In spite of the industrial closures, air pollution is still far above western and European Community norms. By 1996, Saxony has to reach the EC standard of a maximum of 2,500 mg of sulphur dioxide per cubic metre of foul air from its brown coal-burning power stations. At the moment, Dr Angst says, the level is somewhere between 3,300 and 12,500 mg. Leipzig and Chemnitz are the worst affected.

Yet the most urgent environmental problems with which the state government must deal are perhaps the least obvious: providing clean drinking water, and sewage treatment systems.

Where drinking water is concerned, both surface water and underground reservoirs are heavily polluted by chemicals, heavy metals, and nitrate fertilisers – the highest priority for treatment.

If anything, the sewage problem is worse. At least 90 per cent of the population has access to water mains. Most have no proper sewage treatment system at all.

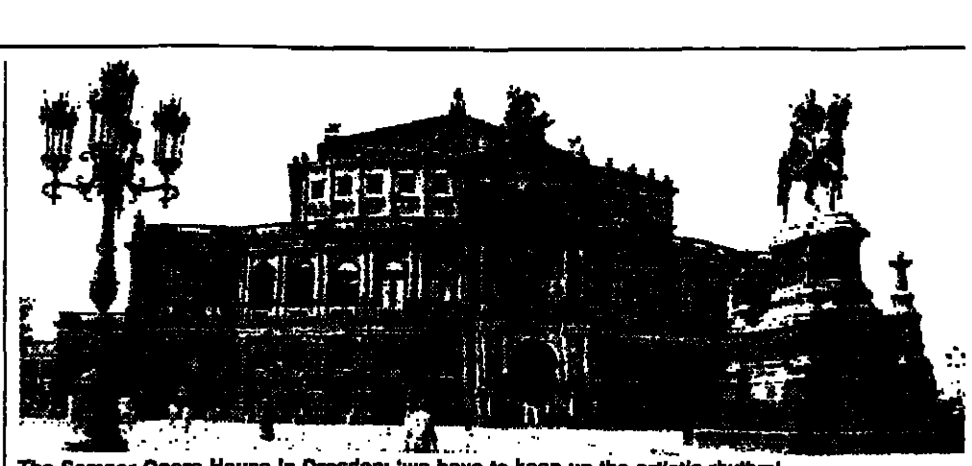
Dr Angst calculates the entire cost of environmental repairs to the land alone at DM11bn; he has an annual budget this year of DM684m. More than DM500m of that goes on sewage treatment, clean air programmes, rubbish collection and disposal.

Yet the only pollution which is the responsibility of Bonn is that caused by Wismut. Everything else is supposed to be paid for by the Saxony government and the bankrupt local communities.

"Our first task is to avert the immediate dangers, which means cleaning up the water and air," says Dr Angst. "I don't have to recultivate the brown coal mining areas immediately. Nor should we borrow for these long-term projects.

"But the popular feeling is that, after years of ignoring it, suddenly everything must be done, and done by the state. The thinking is coloured by this situation where the state did everything: this incapacity, this abrogation of decision-making, is still all-pervasive. People don't and won't think how they should resolve their problems themselves."

Bringing the eastern environment up to western standards is going to be a very long and expensive haul, and one which will fall overwhelmingly on the public purse. It will take 10 years at least to reach those standards on clean air: as far as the land and water are concerned, it will probably be a battle lasting 30 years.



The Semper Opera House in Dresden: 'we have to keep up the artistic rhythm'

Cultural tradition is vital to attracting investors

Trumpet it loud

"WHEN Saxony's cultural landscape was created, the region was one of the richest in Germany. Today, it is one of the poorest", says Mr Hans Joachim Meyer, the state's minister for science and culture.

That, in a nutshell, is the nature of the problem faced by Saxony and the rest of east Germany as officials wonder how all the theatres, opera houses, orchestras, museums and other cultural assets are to be paid for at a time of increasing financial stringency in Bonn.

Compared with the rest of east Germany, Saxony has by far the best chance of prosperity once economic reconstruction is completed. But when viewed against the west German states, it is, as Mr Meyer points out, poor indeed.

Around 60 per cent of east Germany's cultural institutions (excluding former East Berlin) are in Saxony. They range from the grand and world-renowned, like Dresden's Semper Opera and Leipzig's Gewandhaus Orchestra, to humble and little-known local museums and theatres. Even the survival of the most famous music and theatre houses is not entirely without doubt. Bonn's politicians, alarmed by the cost of unity, are proving tough.

Yet the continuation of Saxony's cultural traditions is vital to its economic and financial health. Visits to the opera, to the art and historical museums, and to Saxony's gracious palaces such as Moritzburg and Pillnitz are essential elements in the itinerary of visitors, whether from Germany or abroad. The range of cultural attractions encourages companies, with managers and their families, to move to the state.

"In Germany, a city with no culture attracts no investment," is the blunt comment of Mr Peter Fittig, the councillor responsible for culture in Chemnitz, a city whose bleak post-war architecture is relieved by its elegant Opera House, whose restoration is nearly complete. While his may be an extreme view, it contains plenty of truth.

Yet while it seems inconceivable that Saxony could lose any of its cultural heritage, the need to find more funds to help pay for the 250 museums, 19 big theatres and orchestras, and numerous other facilities is acute. In the unity treaty, the Bonn government agreed to pay DM900m towards the financing of east Germany's cultural assets. This was cut to DM780m this year and the 1993 figure has been slashed to DM350m.

Saxony receives the lion's share of this money (which also goes to east Berlin), with 42 per cent. But the latest reduction is proving the last straw. "This is totally unacceptable," says Mr Meyer, who has written a sharp letter to the Bonn minister responsible.

At DM900m, Bonn's contribution represented half the cultural financing needs of the eastern states; at DM350m, it will be only 10 per cent. The states and local authorities of east Germany are in no financial state to make up the difference themselves. Local authorities of all five states will have to raise their budget spending on theatres and orchestras from DM120m to DM317m at a time when they are heavily in deficit.

Inevitably, cuts will be made. Mr Meyer, a professor of English, says these have started. A committee of experts from all over Germany is looking at solutions and prominent cultural figures such as Ludwig Guttler, trumpet virtuoso with the Dresden Philharmonic, are doing their best to lobby the Bonn politicians.

The present situation is very unsettling, says Mr Wolfgang Schönfeldt, business head of the Semper Opera. "We have to keep up the artistic rhythm – uncertainty is damaging." The opera house's annual budget is around DM60m, only around DM10m of which it can meet itself; the rest comes from state and federal funds. "Next year, we will need DM80m," he says. Wages are going up and guest conductors and soloists will not always settle for low fees.

Mr Schönfeldt needs to find another DM1.5m just to pay guest performers at this year's three remaining premieres: Richard Strauss's *Arabella*, Gluck's *Orpheus and Eurydice* and a mixed ballet evening. Next year, it hopes to mount an ambitious ballet of Herman Hesse's novel, *Steppenwolf*. In line with the Semper Opera's status, Mr Schönfeldt reckons it will soon require an annual DM100m a year, similar to the yearly budget of the comparable Munich opera.

What about sponsorship? Corporate funds are being sought, but cultural sponsorship is less developed than in the US or Britain. Mr Meyer believes sponsors are needed, but as a supplement to state support, not a replacement. It seems inevitable that some of Saxony's theatres and orchestras will be amalgamated, with some disappearing. With modern transport, however, not every town needs its own stage and musicians. "Sometimes," jokes Mr Meyer, "it is said that Saxony's orchestras are so close together that they can hear each other if they play loud enough."

Andrew Fisher

PROFILE: KURT BIEDENKOPF

Straight talk helps

IN Dresden's fledgling state parliament, even the opposition parties are wary of attacking Kurt Biedenkopf. In spite of the severe problems affecting Saxony as it shakes off the remnants of communism and moves into the more exposed atmosphere of the free market, the state's Christian Democrat (CDU) prime minister enjoys a high degree of popularity and respect.

This stems from his mixture of straight talking about the present and well-argued optimism about the future. At a time when many east Germans feel neglected by Bonn, Mr Biedenkopf is the western politician who came to offer help and has stayed to see his work through.

"There is no precedent for what we are doing", he says of the monumental task of dragging what was – if only for four decades – a separate country into the modern economic and industrial world. He believes East Germany would have collapsed anyway in a few years if its citizens had not taken to the streets and toppled the Honecker regime.

Mr Biedenkopf, was one of the first to assess the real cost of unification with east Germany, whose economy turned out to be industrially and economically more moribund than most experts thought. The stagnating East German system, he says, was kept going by exploitation of the people, the economy and the environment. "But every exploitation comes to an end, since there is nothing left to exploit".

Politically, Mr Biedenkopf, a legal professor, has always been a thorn in the side of Chancellor Helmut Kohl. Mr Biedenkopf may be a lot smaller than the towering Mr Kohl, but he is intellectually faster on his feet and is not shy of showing it.

But while he is sure of his own views, Mr Biedenkopf has been careful not to appear an arrogant, know-all westerner, something of which long-suffering east Germans have had enough experience.

He makes the point that Saxony, before the 1914-18 war, had the highest per capita gross national product in Germany, higher even than the industrialised Ruhr. Like neighbouring Bohemia, in Czechoslovakia, "Saxony played a pioneering role in European industry".

Even after 45 years of communism, he believes this can be revived. Volkswagen is building a car plant near Zwickau, Siemens is investing heavily in the state and Dresdner Bank has returned to its original home. But it will be a long haul before economic and social conditions are akin to those in the west. "It will probably take a generation".

Mr Biedenkopf is confident that the Saxons, and other east Germans, can take the strain in the intervening years. "The problems are huge. But they have been absorbed in a way you couldn't ask of people in west Germany," he says. Strikes and demonstrations are inevitable, although these can turn nasty as with the violence against asylum-seekers in the town of Hoyerswerda. "Such a huge stress in such a short time, amounting to a radical change in people's way of life, is bound to cause eruptions."

Biedenkopf: well-argued optimism about the future

He is thankful that most people in Saxony, according to opinion polls, still regard their positions as better or at least no worse than a year ago, in spite of the physical and psychological turmoil they are going through. But he believes, like Heinz Eggert, his interior minister, that unity must be regarded as a challenge for all Germans, not just those in the east.

Andrew Fisher

PROFILE: HEINZ EGGERT

Committed rebuilder

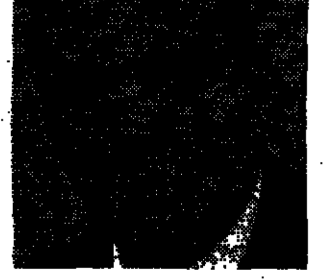
HEINZ EGGERT is a tall man whose casual dress and spontaneous manner belie his inner toughness. He has forthright views about how Germans in east and west should react to unification and is not shy of expressing them.

He certainly does not look, or talk, like a typical minister, although he has headed Saxony's interior ministry for almost a year. Mr Eggert, has brought to the job the committed outlook of one who suffered under the old regime and is determined a new start should be made.

"I want to see that yesterday's people don't become tomorrow's masters," he says. "I don't want our children to experience what we went through".

Thus he is prepared to work an exhausting day from 7.30am until 11.00pm. Often, he goes out later to tap the views of people in the bars and cafes, especially those frequented by extreme left- or right-wingers.

He is unsure whether he will continue with this gruelling job after the legislative period ends in 1994. He sees little of his wife, four children, dog, and 12 rabbits. What keeps him going is the huge task of rebuilding an administration which will oversee the painful transition to the free market.



Eggert: 'It is the challenge of the century'

Having been hounded by the Stasi (security forces) himself – he even found out his doctor had given him energy-draining drugs – the railway worker-turned-theologian has thrown himself wholeheartedly into his new task.

"German unification has brought enormous opportunities for Germany and Europe, but these also mean enormous responsibilities. We have to shoulder these," he says.

It has meant harsh decisions. Even before he took on the minister's job in Dresden, he dealt severely with former members of the old regime when head of the council in the small town of Zittau, near Czechoslovakia. While believing people can change for the better, Mr Eggert has no patience with those who made others suffer.

"I can't tolerate the use of taxpayer's money to pay people who used their positions to harm or degrade others," he says. The obvious cases – those who worked or informed for the Stasi – have been dismissed, including 800 police officers. But there are numerous cases of people whose careers were intertwined with the old regime and who are now hard to remove under west German law.

Mr Eggert finds this frustrating. "The legal apparatus of west Germany is not suitable for a time of reconstruction in the east after 40 years of communist dictatorship". Also taking up time is the need to deal with extremists, particularly those on the right who have whipped up violent resentment against foreign asylum-seekers at a time of acute economic and social uncertainty.

In Mr Eggert's view, the fundamental problem goes beyond the housing shortages, unemployment, rising prices and other upheavals. West Germans should be ready to give up some of their cherished prosperity and advantages to help those in the east rebuild their lives. They should not see unity as something to be simply welcomed as if nothing had really changed. "It is the challenge of the century".

But east Germans, too, should not hark back to the simplicity of the old days, when pressures were fewer, though living standards were lower. He feels that the press, unshackled after cravenly toeing the party line, expresses a far more negative attitude than east German people themselves.

Andrew Fisher

Philips looks east

Continued from Page 2

The second reason for Philips coming to Bautzen has not worked so well: instead of expanding, the eastern markets have collapsed.

Russia and the former Soviet republics are buying only about 25 per cent of what they used to buy, because of the shortage of foreign exchange. Although Russia and Germany have finally agreed on export credit guarantees, "we are still waiting for the Russians to decide what they want in concrete terms," Mr Bartsch says.

However, he is convinced Philips does not regret its move. Although productivity is lower than in the west, so are wage costs – at least until 1994. With the investment subsidies available, that provides a big cost reduction. The work force still lacks the support system needed to match western productivity, but Mr Bartsch reckons it will catch up by next year.

Quentin Peel

WORLD STOCK MARKETS

AUSTRIA | FRANCE (continued) | GERMANY (continued) | NETHERLANDS (continued) | SWEDEN (continued) | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | JAPAN | ITALY | SPAIN | SWITZERLAND | NORWAY | SOUTH AFRICA | AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE

[illegible]

CANADA

TORONTO

2 pm August 31

Sales	Stock	High	Low	Close	Chng
2100	Cara Op	455	445	445	
100	Cascades	\$7 5/8	7 5/8	7 5/8	
1000	Celanese	\$40 3/4	40 3/4	41 1/2	
10300	Cntrl Cap	12	12	12	
4000	Cnepx Odo	260	255	255	−5
100	Cntrl Fd A	450	450	450	
8900	Cominco	\$22 7/8	22 3/4	22 7/8	
2700	Coputalog	60	60	60	−5
500	Jannock x	\$16	15	15	
400	KerrAddis x	\$16 1/4	15 3/4	15 3/4	
5800	Labatt	\$29 1/8	28	29 1/8	
128200	Lac Minls	\$8 5/8	8 1/2	8 5/8	
300	Lafarge	\$15 1/4	14 3/4	15 1/4	
1500	Laidlaw A	\$10 1/4	10	10	
65200	Laidlaw B	\$10 1/8	10	10 1/8	
300	Laurent Bk	\$17 1/4	17 1/4	17 1/4	

MONTREAL

2 pm August 31

[illegible]

INDICES

NEW YORK DOW JONES	Aug 28	Aug 27	Aug 26	Aug 25	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3267.61	3254.64	3246.81	3232.22	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	[illegible]
Home Bonds	102.17	102.03	101.93	102.24	102.47 (18/8)	98.41 (20/3)	102.47 (18/8/92)	[illegible]
Transport	1216.28	1211.40	1204.40	1216.47	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	[illegible]
Utilities	219.52	218.14	218.39	217.76	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	[illegible]

DJ Indl Day's High 3280.58 (3285.71) Low 3237.89 (3237.08) (Theoretical)
Day's High 3269.77 (3273.02) Low 3250.05 (3246.81) (Actual)

STANDARD AND POOR'S	Aug 28	Aug 27	Aug 26	Aug 25	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	414.84	413.53	413.51	411.61	425.09 (3/8)	394.50 (8/4)	425.09 (3/8/92)	[illegible]
Industrials	487.72	485.97	486.00	483.51	499.51 (3/8)	470.91 (8/4)	499.51 (3/8/92)	[illegible]
Financial	35.15	35.04	34.80	34.58	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	[illegible]
NYSE Composite	228.43	227.73	227.48	226.47	233.66 (3/8)	217.92 (8/4)	233.66 (3/8/92)	[illegible]
Amex Mkt. Value	381.18	381.00	379.65	379.52	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	[illegible]	[illegible]	[illegible]	554.22	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Aug 21	Aug 14	Aug 7	year ago (approx.)
Dow Industrial Div. Yield	[illegible]	3.11	3.12	3.01

	Aug 26	Aug 19	Aug 12	year ago (approx.)
S & P Industrial div. yield	[illegible]	2.62	2.62	2.63
S & P Indl. P/E ratio	[illegible]	29.06	29.00	21.71

NEW YORK ACTIVE STOCKS

[illegible]

TRADING ACTIVITY

† Volume Millions	Aug 28	Aug 27	Aug 26
New York SE	152.230	175.549	171.840
Amex	12.056	12.510	9.591
NASDAQ	127.111	155.488	145.469
NYSE			
Issues Traded	2,307	2,317	2,304
Rises	933	1,069	1,002
Falls	753	676	715
Unchanged	621	572	587
New Highs	54	46	26
New Lows	25	21	29

CANADA TORONTO

[illegible]

	Aug 31	Aug 28	Aug 27
HONG KONG			
Hang Seng Bank (31/7/64)	(c)	5628.60	5460.72
IRELAND			
ISEQ Overall (4/1/88)	1218.25	1219.65	1214.02
ITALY			
Banca Com. Ital. (1972)	390.93	393.60	393.29
MIB General (2/1/92)	767.0	772.0	771.0
JAPAN			
Nikkei (16/5/49)	18061.12	17970.0	17555.00
Tokyo SE (Topix) (4/1/68)	1385.51	1379.97	1340.45
2nd Section (4/1/68)	1801.82	1760.38	1710.22
MALAYSIA			
KLSE Composite (4/4/86)	(c)	574.73	567.56
NETHERLANDS			
CBS Tnl.Rtn.Gen.(End 1983)	282.6	282.3	283.8
CBS All Shr (End 1983)	192.6	192.8	193.8
NORWAY			
Oslo SE (Ind) (2/1/83)	575.24	596.49	599.66
PHILIPPINES			
Manila Comp (2/1/85)	1376.66	1385.77	1426.31
SINGAPORE			
SES All-Singapore (2/4/75)	369.30	365.57	365.97
SOUTH AFRICA			
JSE Gold (28/9/78)	938.04	935.0	933.0
JSE Industrial (28/9/78)	4060.04	4060.0	4058.0
SOUTH KOREA**			
Korea Comp Ex. (4/1/80)	562.80	518.56	520.61
SPAIN			
Madrid SE (30/12/85)	204.97	205.61	205.46
SWEDEN			
Affarsvariden Gen. (1/2/37)	772.70	780.00	786.90
SWITZERLAND			
Swiss Bank Ind. (31/12/58)	819.3	817.5	816.4

TOKYO - Most Active Stocks

Monday, August 31, 1992

[illegible]

AMERICA

US equities becalmed in light trading

Wall Street

A LACK of direction from overseas markets left US share prices little changed in light trading in spite of some more bad economic news, *writes Patrick Harverson in New York.*

By 1pm the Dow Jones Industrial Average was up 2.43 at 3,270.04, having spent all morning hovering just a few points either side of Friday's close. The more broadly based Standard & Poor's 500 was also virtually unchanged, down just 0.02 at 414.82, while the Amex composite added 0.05 at 381.23 and the Nasdaq composite fell 0.92 to 562.64. Turnover on the NYSE was light at 89m shares by 1pm.

With the foreign exchange markets subdued by the holiday in the UK, quiet overseas equity markets and little movement in US bond prices, trading was light in New York. Investors were also reluctant to enter the market ahead of Friday's employment report for August.

The day's economic news was not positive, but it had little impact. New single-family home sales fell 2.6 per cent in July, and the rise in June was revised down to 5.3 per cent from a previously estimated 7.9 per cent gain. The Chicago Purchasing Management Association's index for August fell from 59.2 per cent in July to 58.4 per cent in August, indicative of a slowdown in manufacturing activity in the midwest.

Compaq climbed $1 to $31¾ in active trading after the big computer company announced that it had entered into a pact under which it received licensing rights to the PostScript software produced by Adobe Systems. Adobe, quoted on the Nasdaq market, fell $¼ to $32¾.

Merck fell $¾ to $48¾ after Mr James Keeney, an analyst at the broking house Mabon Securities, lowered his rating for the drug company from "buy" to "hold", saying that initial prescriptions for Merck's Proscar drug are below expectations. Other drug stocks fell, including Johnson & Johnson, by $½ to $49⅝, and Pfizer by $⅝ to $77½.

Whirlpool firmed $¾ at $35⅝ and Maytag eased $⅛ to $13⅞ after Kidder Peabody, the securities house, initiated coverage of the two appliance manufacturers with "buy" and "hold" ratings respectively. Kidder recommended that investors switch out of Maytag and into Whirlpool.

THE Bovespa index was down 6.3 per cent at 32,801 by midday yesterday, *writes Bill Hinchberger in São Paulo,* following President Fernando Collor's promise on Sunday night to resist pressure to resign. Last week a congressional committee charged the president with malfeasance in a corruption scandal.

The drop followed steady gains last week, both in the index and in trading volumes. Moving inversely to Mr Collor's standing, weakened by the loss of political support and mass demonstrations, the index rose by 27.4 per cent. Turnover grew steadily from a level of $18.5m on Monday, when the parliamentary inquiry presented its findings, to last Friday's $107.5m.

Canada

TORONTO stocks were mixed in moderate midday trading. The TSE 300 index slipped 3.8 to 3,399.3 in volume of 11.2m shares valued at C$108.6m. Advances topped declines by 189 to 170 with 236 issues unchanged.

A rally in the gold price lifted American Barrick by C$1 to C$37½ while Franco-Nevada firmed C$¾ to C$28¾.

EUROPE

Continent feels the absence of London

LONDON's closure for the bank holiday yesterday affected levels of trading on the Continent, *writes Our Markets Staff.* Country by country, share prices moved both ways, the recovery in Germany contrasting with the painful erosion of Nordic equity values.

FRANKFURT saw German stock market turnover fall from DM4.7bn to DM4.2bn as equities extended their recovery from last Tuesday's lows, the DAX index rising 24.78, or 1.7 per cent, to 1,541.25.

Dealers saw no fundamental reasons for the upturn, but Ms Barbara Schumacher at Merck Finck in Düsseldorf noted that the DAX had doubled a gain of about 12 points which it registered an hour before the official close.

Daimler continued its uptrend after last week's interim results, putting on DM14 to DM628 for a gain of nearly 8 per cent since its rebound from 1992 lows began last Wednesday; yet, on analysis, some observers were wary of a 3 per cent drop in operating profits of the car business, on a 9 per cent rise in turnover.

They also said that gains in chemicals lacked discrimination, with Bayer, up DM5.70, a good buy on its recent progress report but Hoechst, DM6.50 higher at DM245, seen as distinctly less attractive.

The big rise of the day among DAX stocks came from Lufthansa, severely depressed by the problems of the international airline industry but DM8 higher at DM102. Yesterday, talks with unions on a cost-cutting programme entered a final phase and DAG, the smaller of the two unions concerned, offered a year's wage freeze.

Among other bombed-out stocks, Metallgesellschaft rose DM10.50 to DM328.50 and Mannesmann DM5 to DM235.50.

PARIS ended slightly lower as London's absence and continued uncertainty ahead of the Maastricht referendum reduced turnover to just FFr860m. The CAC-40 index closed 2.65 down at 1,684.88 after a high of 1,695.60 and a low of 1,679.01.

Eurotunnel continued to gain on growing optimism of an early resolution to the dispute with TML. The stock added FFr1.30, or 3.6 per cent, at FFr37.70. Among smaller stocks, household appliances maker Seb fell FFr24.90, or 6.1 per cent, to FFr384.10 after disappointing six-month results.

STOCKHOLM was held back by firmer domestic interest rates, as the Affärsvärlden general index slipped 7.3 to 772.7, in thin turnover of SKr260m, against SKr532m.

The construction group Skanska saw its B free shares drop as low as SKr66 on news that the company will lose SKr500m to SKr600m this year because of unauthorised currency speculation by the president of its finance subsidiary. They later recovered to close a net SKr3, or 4.2 per cent, down at SKr69. Trading in Skanska shares had been halted for 35 minutes pending the announcement.

OSLO dropped 4.2 per cent on news of deepening troubles in the country's financial sector. The all-share index was 14.11 weaker at 318.89 in thin trading worth NKr154.8m.

Yesterday, a Norwegian court appointed a committee to work out how the investment company, Investa, could repay its debts after winning court protection from its creditors over short-term borrowings of NKr2.8bn.

ZURICH featured some action in second liners as the SMI index firmed by 5.9 to 1,751.6. Adia bearers, second on the active list, rose SFr15 to SFr218 on news of a SFr200m loan from its majority shareholders, Mr Klaus Jacobs and the German retail chain Asko. Oerlikon-Bührle, also actively traded, rose SFr7 to SFr446 ahead of today's conference, at which the engineering and armaments group is expected to confirm that it is making a profit after several years of losses.

MILAN had a colourless day as traders felt the absence of London. "Nobody wants to do anything, the market is without direction," said one broker in Milan. The Comit index shed 2.67 to 390.93, a new low for the year, in turnover estimated at around Friday's L45.7bn.

Weakness in market leaders set the tone for the day's trading, with Fiat losing L51 to L4,019 and Generali falling L120 to L26,130. Montedison showed little reaction to news that chairman Mr Giuseppe Garofano was to be interviewed in connection with a wide-ranging investigation into the financing of political parties by companies.

AMSTERDAM ended mixed after a thin session. The CBS Tendency index eased 0.2 to 109.9. In the financial sector, ABN Amro and Aegon, both ex-dividend, fell a net 60 cents and 80 cents respectively, to Fl 42.80 and Fl 59.90.

MADRID fell in flimsy trade, the general index closing 0.64 off at 204.97 on a day distinguished only by block trades in the chemicals company Cepsa.

VIENNA started the week in a buoyant mood, advancing 2.5 per cent on the back of gains on foreign stock markets. The 18-share ATX index rose 18.22 to 735.58 while the broader bourse index put on 4.04 to 348.41.

ISTANBUL gained as hopes for lower bond and deposit rates were refreshed by a newspaper report that sharp rate cuts were awaited at the Treasury's auction this week. The 75-share index climbed 40.63 to 4,157.83.

● The FT-SE Eurotrack 100 index was unavailable yesterday because of the holiday in the UK.

SOUTH AFRICA

De Beers and Anglos featured in a quiet market, underpinned by strong futures, a better bullion price and a weak financial rand. The overall index rose 15 to 3,152, and industrials gained 6 to 4,060.

Tentative revival leaves Helsinki in wary mood

Robert Taylor peers through the Finnish gloom

Over the past two years, the Helsinki bourse has been a serious casualty of Finland's deepest-ever recession, and the horrific damage sustained by the Nordic financial sector. It remains in a wary mood in spite of signs of an economic recovery.

More than half of Finland's companies are experiencing an upturn, but this revival in the "real" economy has not been reflected so far in share prices. Towards the end of last week Helsinki's forestry share index had dropped by some 20 per cent this year, and by 16.5 per cent in the previous 30 days. And while the metal sector had risen by as much as 40 per cent in the year to the end of May, it has fallen recently by a little more than its forestry counterpart.

Last week the central bank was compelled to raise its tender rate from 15.5 per cent to 17 per cent, in a move designed to stem capital outflows and calm international financial markets.

Ever since last November's 12.3 per cent devaluation of the markka, the Finnish money markets have been nervous due to an intermittent lack of confidence in the country's fragile centre-right coalition government's ability to stick firmly in future to a fixed exchange-rate policy.

However, a fortnight ago, Mr Michel Camdessus, head of the International Monetary Fund, made some positive remarks about the economy. He pointed to signs of modest but still positive economic growth, an upturn in industrial output, low inflation and a clear improvement in industrial competitiveness.

A similar note was struck last week in the authoritative annual report on Finland from the Paris-based Organisation for Economic Co-operation and Development.

The OECD forecast the likelihood of a 3.3 per cent increase in Finland's GDP in 1993, encouraging after two years of economic contraction.

It also suggested a 5.5 per cent rise in industrial output next year after modest 1 per cent growth in 1992, as well as a strong export-led recovery. Unemployment may remain at around 11 per cent but the other main economic indicators provide some encouragement for the markets.

Such outside opinion stems from the growing optimism in Helsinki in both the forestry and engineering sectors. Mr Pentti Vartia, head of ETLA, Finland's main independent economic forecasting institute, is encouraged by the fact that the country, in a remarkably short time, has managed to replace its lost markets in the former Soviet Union with new ones in the west. "The recovery has been much faster than we expected," he says.

The real trouble hobbling the market is the continuing uncertainty about the future of Finland's fragile financial system. Bank shares have collapsed, weighing down the overall Hex average. The state has established a FM20bn ($5.2bn) guarantee fund to assist banks and other financial institutions in trouble with non-performing loans and credit losses. Few observers believe, however, that Finland has yet weathered the storm which has shaken the financial sector across the Nordic region in the past few years.

Last year, listed Finnish companies made financial losses totalling FM16bn between them. This year, bourse analysts estimate that the deficit will narrow to FM9.7bn, with as much as FM6.5bn of that figure due to the lamentable position of the banks. As a result, Finnish shares are cheap by some standards. The book value of limited companies is FM123bn but this contrasts with a market value of FM52bn at the end of July.

Mr Juhani Erma, head of the Helsinki bourse, is hopeful that the outlook will change next year with the removal of rules which prevent foreigners from acquiring more than 20 per cent of the voting rights, and 40 per cent of the equity, of a Finnish company without official authorisation from the state. The traditional distinction between restricted and free shares will also end. At present only around 12 per cent of shares traded in Helsinki are free.

Last week the government proposed the lifting of foreign ownership restrictions from January 1, and parliament is expected to discuss the proposal in the autumn.

These reforms are necessary as Finland becomes part of the 19-nation European Economic Area next year and they could stimulate a good deal of foreign interest in Finnish equities. It has been estimated that as much as FM16bn of new foreign investment could be attracted by the changes.

The near-term outlook for the stock market, however, depends on the success of the government's economic strategy. And there are some anxieties for the autumn.

First, there are doubts about the political situation and whether the present government can survive much longer. Many believe that it may have to be reconstructed after the October local government elections, which could bring heavy losses to the coalition partners.

Secondly, there are worries about the next round of wage negotiations. The government and employers would like to see no rise in wages for the next three years; the unions can be expected to resist although, in the presently grim labour market, they might settle for some kind of cost-of-living protection and no real income improvements.

There is also uncertainty about the forthcoming Finnish negotiations on membership of the European Community, due to begin formally early next year. The latest opinion polls suggest that a clear majority of Finns want their country to join the EC and it is possible that the markka may achieve associate membership of the European Monetary System.

ASIA PACIFIC

Nikkei ends above 18,000 in volatile trade

Tokyo

SHARES made modest gains in a volatile session and the Nikkei average rose 90.33 to 18,061.12, closing above 18,000 for the first time since June 3, *agencies report from Tokyo.*

The market opened lower on profit-taking, with the Nikkei bottoming at 17,711.16 after 30 minutes of trading. But strong buying of incentive-backed issues helped to lift share prices. The Nikkei swung between positive and negative territory for the rest of the session, closing near its day's high of 18,119.63.

Volume shrank to 550m shares from Friday's 850m. Advancing issues outpaced those declining by 676 to 344, with 102 stocks unchanged. The first section all-share Topix index was up 5.54 at 1,385.51.

Traders said strong selling by foreigners was countered by buying by domestic individuals and dealers, while institutional investors remained on the sidelines. However, they added that sentiment remained positive following the government's stimulative package, announced last Friday.

Construction and financial issues were bought on expectations that they will benefit from the government's Y10,700bn worth of measures aimed at boosting public works projects and helping the debt-laden financial sector. Aoki Corp gained Y35 to Y552 and Chiyoda Corp Y110 to Y1,860.

Real estate companies declined in spite of statements by Mr Kiichi Miyazawa, the prime minister, that government funds would help purchase real estate used as collateral for non-performing bank loans. Mitsubishi Estate finished Y20 down at Y1,010 and Mitsui Real Estate Y30 cheaper at Y1,080.

Nissan Motor weakened Y37 to Y582 after Friday's news that the car company expected to incur its first loss since 1946 and that it was omitting its interim dividend.

Aids-related issues saw strong buying interest. Most heavily traded was Green Cross, which rose Y160 to Y1,740. Meiji Milk climbed Y106 to Y1,060 and Okamoto Industries Y200 to Y1,430.

Roundup

PACIFIC RIM markets were mostly firmer yesterday with the exception of Australia and Manila. Hong Kong and Kuala Lumpur were closed.

SEOUL rose confidently in active trading and the composite index ended 23.59 up at 562.80. The index has risen 19.3 per cent since the government's support package on August 24. Turnover increased to Won428.18bn from Saturday's Won292.22bn.

TAIWAN closed higher across the board as a strong rebound continued. The weighted index added 93.90, or 2.4 per cent, at 3,946.35 in brisk turnover of T$29.5bn.

China Steel appreciated 10 cents to T$17.80 in active trading. Foreigners were allowed to redeem the company's GDRs from August 29 but brokers said foreign selling was light.

AUSTRALIA was dragged lower by a larger than expected July current account deficit. The All Ordinaries index receded 6.7 to 1,547.2 in turnover of A$361.9m, of which some A$180m – mainly in Aberfoyle and News Corp – came from overseas.

Aberfoyle retreated 25 cents to A$4.65 after Cominco, the Canadian miner, sold off its 46 per cent stake at A$4.57 a share. News Corp advanced 90 cents to a new post-crash peak of A$24.80 after Moody's Investors Service placed it on positive creditwatch.

MANILA declined further following Friday's drop, the composite index closing 10.11 lower at 1,376.66. Combined turnover fell to 144m pesos from Friday's 275m.

NEW ZEALAND's NZSE-40 capital index put on 1.36 to 1,481.92 in low volume. Carter Holt Harvey finished 3 cents ahead at NZ$2.63.

SINGAPORE ended higher on selective buying and the 30-share Straits Times Industrial index rose 19.24 to 1,378.54. There were 26.38m shares traded, against Friday's 29.40m.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY AUGUST 28 1992								THURSDAY AUGUST 27 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	131.40	+0.9	98.29	102.37	96.12	121.61	+0.6	4.50	130.28	97.65	102.82	95.54	120.88	153.68	126.79	146.66
Austria (19)	150.90	+0.5	112.88	117.57	110.38	110.23	−0.2	2.65	150.15	112.55	118.50	110.11	110.46	186.70	139.27	175.77
Belgium (42)	143.89	+0.3	107.64	112.10	105.26	102.91	+0.0	5.98	143.42	107.50	113.18	105.17	102.92	152.27	135.87	127.59
Canada (114)	125.97	+0.1	94.23	98.14	92.14	109.14	+0.2	3.19	125.90	94.37	99.35	92.32	108.90	142.12	124.32	140.07
Denmark (35)	225.18	−0.4	168.44	175.43	164.72	166.53	−0.7	1.71	226.15	169.51	178.48	165.84	167.71	273.94	222.22	251.67
Finland (15)	61.04	+1.8	45.66	47.55	44.65	49.69	+1.3	2.84	59.93	44.92	47.30	43.95	49.07	89.80	59.93	95.64
France (102)	157.89	+0.8	118.11	123.00	115.49	118.76	+0.5	3.78	156.70	117.45	123.66	114.90	118.18	168.75	148.06	136.73
Germany (64)	116.76	−0.2	87.34	90.97	85.40	85.40	−0.5	2.68	117.03	87.72	92.37	85.81	85.81	129.69	114.42	108.42
Hong Kong (53)	231.12	+3.1	172.89	180.06	169.07	229.33	+3.0	3.65	224.26	168.09	176.98	164.46	222.57	259.55	176.36	166.36
Ireland (16)	159.05	+1.1	118.98	123.92	116.35	119.59	+0.9	4.42	157.34	117.93	124.17	115.38	118.53	173.71	151.78	153.98
Italy (78)	63.81	+0.4	47.73	49.71	46.68	51.33	+0.3	4.04	63.57	47.65	50.17	46.62	51.18	80.86	61.30	71.79
Japan (473)	112.20	+4.2	83.93	87.42	82.09	87.42	+2.9	0.97	107.66	80.70	84.96	78.96	84.96	140.95	87.27	125.14
Malaysia (69)	234.19	+0.4	175.18	182.44	171.30	224.85	+0.4	2.81	233.24	174.82	184.06	171.03	223.85	250.47	212.49	205.77
Mexico (18)	1316.41	+1.1	984.71	1025.59	982.95	4433.37	+1.3	1.35	1301.83	975.78	1027.40	954.66	4378.25	1789.77	1259.94	1214.81
Netherland (26)	166.51	−0.4	124.55	129.72	121.80	120.64	−0.6	4.64	167.19	125.31	131.94	122.60	121.33	167.29	147.88	137.47
New Zealand (14)	42.60	−0.4	31.87	33.19	31.16	41.83	−0.2	5.43	42.77	32.06	33.75	31.36	41.93	48.52	41.90	46.36
Norway (23)	156.87	+0.5	117.34	122.22	114.75	118.60	+0.4	2.13	156.05	116.97	123.16	114.44	118.08	192.95	136.40	202.14
Singapore (38)	190.58	+0.1	142.56	148.48	139.40	140.38	+0.0	2.36	190.39	142.71	150.26	139.62	140.34	229.63	180.71	194.78
South Africa (61)	190.67	+0.9	142.63	148.55	139.47	154.90	+0.5	3.27	188.89	141.58	149.07	138.51	154.07	263.60	186.01	235.22
Spain (49)	137.48	+0.4	102.84	107.11	100.57	95.14	+0.0	6.17	136.94	102.65	108.08	100.42	95.14	181.72	133.79	150.12
Sweden (30)	184.17	−0.5	137.76	143.48	134.72	140.27	−0.8	2.93	185.13	138.76	146.11	135.76	141.35	200.28	171.48	191.91
Switzerland (62)	113.03	+0.9	84.55	88.07	82.69	88.26	+0.5	2.43	112.04	83.98	88.43	82.17	87.80	113.66	95.99	92.93
United Kingdom (228)	181.01	+0.2	135.40	141.01	132.40	135.40	+0.0	5.42	180.65	135.40	142.55	132.46	135.40	200.07	165.85	178.19
USA (522)	168.97	+0.3	126.39	131.66	123.60	168.97	+0.3	2.98	168.52	126.31	133.00	123.58	168.52	173.10	160.92	160.58
Europe (788)	146.41	+0.2	109.52	114.07	107.11	108.91	+0.0	4.37	146.08	109.49	115.29	107.13	108.92	156.88	139.31	139.26
Nordic (103)	168.29	−0.4	125.88	131.11	123.10	122.14	−0.6	2.46	168.91	126.61	133.31	123.87	122.90	188.52	159.53	186.79
Pacific Basin (715)	116.35	+3.9	87.03	90.65	85.11	92.39	+2.7	1.32	112.00	83.95	88.40	82.14	89.96	141.97	93.70	126.79
Euro – Pacific (1503)	128.61	+2.2	96.13	100.11	94.00	99.10	+1.4	2.73	125.79	94.28	99.26	92.24	97.70	145.21	113.80	132.06
North America (636)	166.27	+0.3	124.38	129.56	121.65	164.89	+0.3	2.99	165.85	124.31	130.90	121.64	164.45	170.31	158.70	159.24
Europe Ex. UK (560)	125.37	+0.2	93.78	97.69	91.72	93.64	+0.0	3.62	125.06	93.74	98.72	91.73	93.66	132.98	121.81	116.27
Pacific Ex. Japan (242)	157.01	+1.5	117.45	122.34	114.86	141.78	+1.4	3.81	154.63	115.90	122.05	113.40	139.77	175.31	149.00	143.18
World Ex. US (1696)	129.79	+2.1	97.09	101.12	94.94	101.11	+1.4	2.74	127.16	95.31	100.36	93.25	99.74	146.91	116.18	134.06
World Ex. UK (1990)	138.33	+1.5	103.47	107.78	101.20	120.64	+1.0	2.52	136.31	102.17	107.58	99.97	119.40	150.58	127.21	138.56
World Ex. So. Af. (2157)	141.77	+1.3	106.05	110.46	103.71	121.63	+0.9	2.83	139.89	104.85	110.41	102.59	120.51	153.05	130.04	141.40
World Ex. Japan (1745)	159.15	+0.3	119.05	124.00	116.44	141.78	+0.2	3.52	158.63	118.90	125.20	116.35	141.45	165.40	153.20	152.29
The World Index (2218)	142.02	+1.3	106.24	110.65	103.90	121.96	+0.9	2.84	140.15	105.04	110.61	102.78	120.84	153.70	130.66	142.00

Latest prices were unavailable for this edition.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, August 28, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	*(Afghani)*	99.25	50.0756	35.6053	40.6345
Albania	(Lek)	218.00	109.99	78.2062	89.2528
Algeria	(Dinar)	40.05	20.2068	14.3677	16.3971
Andorra	(Fr Fr)	9.5025	4.7943	3.4089	3.8904
	(Sp Peseta)	180.95	91.2966	64.9147	74.0839
Angola	(Kwanza)	1079.95	544.879	387.426	442.149
Antigua	(E Carr $)	5.3515	2.7	1.9198	2.1909
Argentina	(Peso)	1.9620	0.9899	0.7038	0.8032
Aruba	(Florin)	3.5475	1.7898	1.2726	1.4524
Australia	(Aus $)	2.7595	1.3922	0.9899	1.1297
Austria	(Schilling)	19.645	9.9117	7.0475	8.0429
Azores	(Port Escudo)	243.35	122.78	87.3004	99.6315
Bahamas	(Bahama $)	1.9820	1	0.711	0.8114
Bahrain	(Dinar)	0.7475	0.3771	0.2681	0.306
Balearic Is	(Sp Peseta)	180.95	91.2966	64.9147	74.0839
Bangladesh	(Taka)	77.95	39.3289	27.9641	31.914
Barbados	(Barb $)	3.9865	2.0113	1.4301	1.6321
Belgium	(Belg Fr)	57.45	28.9858	20.6098	23.5209
Belize	(B $)	3.9640	2	1.422	1.6229
Benin	(CFA Fr)	475.125	239.72	170.448	194.524
Bermuda	(Bermudian $)	1.9820	1	0.711	0.8114
Bhutan	*(Ngultrum)*	56.55	28.5317	20.2869	23.1525
Bolivia	(Boliviano)	7.8390	3.955	2.8121	3.2094
Botswana	(Pula)	4.0545	2.0456	1.4545	1.6599
Brazil	(Cruzeiro)	9964.80	5027.65	3574.82	4079.75
Brunei	(Brunei $)	3.1660	1.5973	1.1357	1.2962
Bulgaria	(Lev)	40.10	20.232	14.3856	16.4176
Burkino Faso	(CFA Fr)	475.125	239.72	170.448	194.524
Burma	(Kyat)	11.2275	5.6647	4.0278	4.5967
Burundi	(Burundi Fr)	393.25	198.411	141.076	161.003
Cambodia	(Riel)	1640.00	827.447	588.341	671.443
Cameroon	(CFA Fr)	475.125	239.72	170.448	194.524
Canada	(Canadian $)	2.3715	1.1965	0.8507	0.9709
Canary Is	(Sp Peseta)	180.95	91.2966	64.9147	74.0839
Cp. Verde	(CV Escudo)	124.15	62.6387	44.5381	50.829
Cayman Is	(CI $)	1.6845	0.8498	0.6043	0.6896
Cent.Afr. Rep	(CFA Fr)	475.125	239.72	170.448	194.524
Chad	(CFA Fr)	475.125	239.72	170.448	194.524
Chile	(Chilean Peso)	759.75	383.325	272.556	311.054
China	(Renminbi Yuan)	10.7805	5.4392	3.8674	4.4137
Colombia	(Col Peso)	1535.95	774.95	551.013	628.843
CIS	(Rouble)	1.0494o	0.5294	0.3764	0.4296
		405.84m	204.763	145.593	166.158
Comoros	(CFA Fr)	475.125	239.72	170.448	194.524
Congo (Brazz)	(CFA Fr)	475.125	239.72	170.448	194.524
Costa Rica	(Colon)	268.55	135.494	96.3408	109.949
Côte d'Ivoire	(CFA Fr)	475.125	239.72	170.448	194.524
Cuba	(Cuban Peso)	1.5010	0.7573	0.5384	0.6145
Cyprus	(Cyprus £)	0.8110	0.4091	0.2909	0.332
Czechoslovakia	(Koruna)	53.15c	26.8163	19.0672	21.7604
		51.32t	25.893	18.4107	21.0112
Denmark	(Danish Kroner)	10.7775	5.4376	3.8663	4.4124
Djibouti Rep	(Djib Fr)	347.00	175.076	124.484	142.068
Dominica	(E Carrib $)	5.3515	2.7	1.9198	2.1909
Dominican Rep	*(D Peso)*	25.33	12.78	9.0869	10.3705
Ecuador	(Sucre)	2886.65o	1456.43	1035.57	1181.84
		3436.80a	1734.01	1232.93	1407.08
Egypt	(Egyptian £)	6.55	3.3047	2.3497	2.6816
El Salvador	(Colon)	16.8865	8.5199	6.0579	6.9136
Equat'l Guinea	(CFA Fr)	475.125	239.72	170.448	194.524
Ethiopia	(Ethiopian Birr)	4.0775	2.0572	1.4627	1.6693
Falkland Is	(Falk £)	1.00	0.5045	0.3587	0.4094
Faroe Is	(Danish Kroner)	10.7775	5.4376	3.8663	4.4124
Fiji Is	(Fiji $)	2.9255	1.476	1.0495	1.1977
Finland	(Markka)	7.6945	3.8821	2.7603	3.1502
France	(Fr)	9.5025	4.7943	3.4089	3.8904
Fr Cty/Africa	(CFA Fr)	475.125	239.72	170.448	194.524
Fr Guiana	(Local Fr)	9.5025	4.7943	3.4089	3.8904
Fr. Pacific Is	(CFP Fr)	170.00	85.7719	60.9865	69.6008
Gabon	(CFA Fr)	475.125	239.72	170.448	194.524
Gambia	(Dalasi)	16.7085	8.4301	5.994	6.8407
Germany	(D-Mark)	2.7875	1.4064	1	1.1412

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Ghana	(Cedi)	832.45	420.005	298.637	340.819
Gibraltar	(Gib £)	1.00	0.5045	0.3587	0.4094
Greece	(Drachma)	346.95	175.05	124.466	142.047
Greenland	(Danish Krone)	10.7775	5.4376	3.8663	4.4124
Grenada	(E Carr $)	5.3515	2.7	1.9198	2.1909
Guadaloupe	(Local Fr)	9.5025	4.7943	3.4089	3.8904
Guam	(US $)	1.9820	1	0.711	0.8114
Guatemala	(Quetzal)	10.4650	5.28	3.7542	4.2845
Guinea	(Fr)	1609.95	812.286	577.561	659.14
Guinea-Bissau	(Peso)	9910.00	5000	3555.16	4057.32
Guyana	(Guyanese $)	248.70	125.479	89.2197	101.822
Haiti	(Goude)	9.82	5	3.5228	4.0204
Honduras	(Lempira)	11.4560	5.78	4.1097	4.6902
Hong Kong	(HK $)	15.3065	7.7227	5.4911	6.2667
Hungary	(Forint)	150.25	75.8072	53.9013	61.5148
Iceland	(Icelandic Krona)	104.35	52.6488	37.4349	42.7226
India	(Indian Rupee)	56.55	28.5317	20.2869	23.1525
Indonesia	(Rupiah)	4033.90	2035.27	1447.14	1651.55
Iran	(Rial)	2800.0v	1412.71	1004.48	1146.37
		121.20o	61.1503	43.4798	49.6212
Iraq	(Iraqi Dinar)	0.5936	0.2994	0.2129	0.243
Irish Rep	(Punt)	1.0570	0.5332	0.3791	0.4327
Israel	(Shekel)	4.7910	2.4172	1.7187	1.9615
Italy	(Lira)	2134.50	1076.94	765.74	873.9
Jamaica	*(Jamaican $)*	45.1895	22.7999	16.2114	18.5013
Japan	(Yen)	244.25	123.234	87.6233	100
Jordan	(Jordanian Dinar)	1.3180	0.6649	0.4728	0.5396
Kenya	(Kenya Shilling)	65.2080	32.9001	23.393	26.6972
Kiribati	(Australian $)	2.7595	1.3922	0.9899	1.1297
Korea North	(Won)	4.2615	2.1501	1.5287	1.7447
Korea South	(Won)	1558.25	786.201	559.013	637.973
Kuwait	(Kuwaiti Dinar)	0.5758	0.2905	0.2065	0.2357
Laos	(New Kip)	1417.15	715.01	508.395	580.205
Lebanon	(Lebanese £)	4748.20	2395.66	1703.39	1943.99
Lesotho	(Maluti)	5.4315	2.7404	1.9485	2.2237
Liberia	(Liberian $)	1.9820	1	0.711	0.8114
Libya	(Libyan Dinar)	0.5118	0.2582	0.1836	0.2095
Liechtenstein	(Swiss Fr)	2.4950	1.2588	0.895	1.0214
Luxembourg	(Lux Fr)	57.45	28.9858	20.6098	23.5209
Macao	(Pataca)	15.8285	7.9861	5.6783	6.4804
Madagascar	(MG Fr)	3036.50	1532.04	1089.33	1243.19
Madeira	(Port Escudo)	243.35	122.78	87.3004	99.6315
Malawi	(Kwacha)	7.5175	3.7928	2.6968	3.0777
Malaysia	(Ringgit)	4.9365	2.4906	1.7709	2.021
Maldive Is	(Rufiya)	20.8905	10.5401	7.4943	8.5529
Mali Rep	(CFA Fr)	475.125	239.72	170.448	194.524
Malta	(Maltese £)	0.5752	0.2902	0.2063	0.2354
Martinique	(Local Fr)	9.5025	4.7943	3.4089	3.8904
Mauritania	(Ougulya)	153.75	77.5731	55.1569	62.9477
Mauritius	(Maur Rupee)	28.5210	14.39	10.2317	11.6769
Mexico	(Mexican Peso)	5947.95	3000.98	2133.79	2435.19
Miquelon	(Local Fr)	9.5025	4.7943	3.4089	3.8904
Monaco	(French Fr)	9.5025	4.7943	3.4089	3.8904
Mongolia	(Tugrik)	79.28	40	28.4412	32.4585
Montserrat	(E Carr $)	5.3515	2.7	1.9198	2.1909
Morocco	(Dirham)	14.8085	7.4714	5.3124	6.0628
Mozambique	(Metical)	5424.70	2736.98	1946.08	2220.96
Namibia	(S A Rand)	5.4315	2.7404	1.9485	2.2237
Nauru Is	(Australian $)	2.7595	1.3922	0.9899	1.1297
Nepal	(Nepalese Rupee)	92.4205	46.6299	33.1553	37.8384
Netherlands	(Guilder)	3.1450	1.5867	1.1282	1.2876
N'nd Antilles	(A/Guilder)	3.5475	1.7898	1.2726	1.4524
New Zealand	(NZ $)	3.6645	1.8488	1.3146	1.5003
Nicaragua	*(Gold Cordoba)*	10.6630	5.3799	3.8252	4.3656
Niger Rep	(CFA Fr)	475.125	239.72	170.448	194.524
Nigeria	(Naira)	36.5480	18.45	13.1113	14.9633
Norway	(Nor. Krone)	11.0400	5.5701	3.9605	4.5199
Oman	(Rial Omani)	0.7629	0.3849	0.2736	0.3123

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	49.65	25.0504	17.8116	20.3275
Panama	(Balboa)	1.9820	1	0.711	0.8114
Papua New Guinea	(Kina)	1.8975	0.9573	0.6807	0.7768
Paraguay	(Guarani)	3004.70	1515.99	1077.92	1230.17
Peru	(New Sol)	2.56	1.2916	0.9183	1.0481
Philippines	(Peso)	44.90	22.6538	16.1076	18.3828
Pitcairn Is	(£ Sterling)	1.00	0.5045	0.3587	0.4094
	(NZ $)	3.6645	1.8488	1.3146	1.5003
Poland	(Zloty)	26628.0	13434.9	9552.65	10901.9
Portugal	(Escudo)	243.35	122.78	87.3004	99.6315
Puerto Rico	(US $)	1.9820	1	0.711	0.8114
Qatar	(Riyal)	7.2135	3.6395	2.5878	2.9533
Reunion Is. de la	(F/Fr)	9.5025	4.7943	3.4089	3.8904
Romania	(Leu)	760.83q	383.87	272.943	311.496
Rwanda	(Fr)	266.50	134.46	95.6053	109.11
St Christopher	(E Carr $)	5.3515	2.7	1.9198	2.1909
St Helena	(£)	1.00	0.5045	0.3587	0.4094
St Lucia	(E Carr $)	5.3515	2.7	1.9198	2.1909
St Pierre	(French Fr)	9.5025	4.7943	3.4089	3.8904
St Vincent	(E Carr $)	5.3515	2.7	1.9198	2.1909
San Marino	(Italian Lira)	2134.50	1076.94	765.74	873.9
Sao Tome	(Dobra)	475.68	240	170.648	194.751
Saudi Arabia	(Riyal)	7.4255	3.7464	2.6638	3.0401
Senegal	(CFA Fr)	475.125	239.72	170.448	194.524
Seychelles	(Rupee)	9.65	4.8688	3.4618	3.9508
Sierra Leone	(Leone)	981.10	495.005	351.964	401.679
Singapore	($)	3.1660	1.5973	1.1357	1.2962
Solomon Is	($)	5.7700	2.9112	2.0699	2.3623
Somali Rep	(Shilling)	5192.85	2620.01	1862.91	2126.04
South Africa	(Rand)	5.4315c	2.7404	1.9485	2.2237
		7.3650q	3.7159	2.6421	3.0153
Spain	(Peseta)	180.95	91.2966	64.9147	74.0839
Spanish Ports in N Africa	(Sp Peseta)	180.95	91.2966	64.9147	74.0839
Sri Lanka	(Rupee)	86.45	43.6175	31.0134	35.394
Sudan Rep	(Dinar)	19.82	10	7.1103	8.1146
Surinam	(Guilder)	3.5380	1.785	1.2692	1.4485
Swaziland	(Lilangeni)	5.4315	2.7404	1.9485	2.2237
Sweden	(Krona)	10.1975	5.145	3.6582	4.175
Switzerland	(Fr)	2.4950	1.2588	0.895	1.0214
Syria	(£)	41.6220	21	14.9316	17.0407
Taiwan	($)	49.85	25.1513	17.8834	20.4094
Tanzania	(Shilling)	633.45	319.601	227.247	259.345
Thailand	(Baht)	49.80	25.1261	17.8654	20.3889
Togo Rep	(CFA Fr)	475.125	239.72	170.448	194.524
Tonga Is	(Pa Anga)	2.7595	1.3922	0.9899	1.1297
Trinidad/Tobago	($)	8.4235	4.25	3.0218	3.4487
Tunisia	(Dinar)	1.6080	0.8113	0.5768	0.6583
Turkey	(Lira)	13954.50	7040.62	5006.1	5713.2
Turks & Caicos	(US $)	1.9820	1	0.711	0.8114
Tuvalu	(Australian $)	2.7595	1.3922	0.9899	1.1297
Uganda	(New Shilling)	2343.25	1182.27	840.628	959.365
U A E	(Dirham)	7.2720	3.669	2.6087	2.9772
United Kingdom	(£)	1.00	0.5045	0.3587	0.4094
United States	(US $)	1.9820	1	0.711	0.8114
Uruguay	(Peso)	6302.75	3179.99	2261.08	2580.45
Vanuatu	(Vatu)	222.50	112.26	79.8206	91.0951
Vatican	(Lira)	2134.50	1076.94	765.74	873.9
Venezuela	(Bolivar)	135.20	68.2139	48.5022	55.3531
Vietnam	(Dong)	21544.35	10870	7728.91	8820.61
Virgin Is-British	(US $)	1.9820	1	0.711	0.8114
Virgin Is-US	(US $)	1.9820	1	0.711	0.8114
Western Samoa	(Tala)	4.8435	2.4437	1.7375	1.983
Yemen (Rep of)	(Rial)	32.7030	16.5	11.732	13.3891
Yemen (Rep of)	*(Dinar)*	0.9216	0.4649	0.3306	0.3773
Yugoslavia	(Dinar)	396.40	200	142.206	162.293
Zaire Rep	(Zaire)	1312000.0	661958	470673	537155
Zambia	(Kwacha)	353.80	178.507	126.924	144.852
Zimbabwe	($)	9.6375	4.8625	3.4573	3.9457

Special Drawing Rights August 27, 1992 United Kingdom £0.745591 United States $1.47299 Germany D Mark 2.04858 Japan Yen184 566
European Currency Unit Rates August 28, 1992 United Kingdom £0.725744 United States $1.43407 Germany D Mark 2.02778 Japan Yen178 972

Abbreviations (a) Free rate, (b) Banknote rate, (c) Commercial rate ; (d) Controlled rate; (e) Essential imports, (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate, (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate ;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5
Monday, August 28, 1992

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Prices for Trading on 30.08.92: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.76	20.85	23.06
0100	17.76	10.65	12.71
0130	17.76	17.70	17.70
0200	17.76	17.64	17.64
0230	17.76	17.64	17.64
0300	17.76	17.44	17.44
0330	17.76	17.44	17.44
0400	17.76	17.43	17.43
0430	17.76	17.43	17.43
0500	17.76	17.43	17.43
0530	19.69	19.53	21.76
0600	19.69	19.53	21.77
0630	19.69	19.53	21.77
0700	17.69	19.53	21.77
0730	17.69	19.53	21.81
0800	20.65	19.53	21.76
0830	20.67	20.76	22.97
0900	20.90	20.65	22.84
0930	21.24	20.85	23.05
1000	24.19	22.07	24.30
1030	24.32	22.07	24.30
1100	26.37	24.17	26.46
1130	26.37	24.17	26.47
1200	26.37	24.17	26.46
1230	26.37	26.89	29.26
1300	26.37	26.80	29.27
1330	26.37	24.17	26.47
1400	23.71	22.35	24.59
1430	21.77	21.06	23.36
1500	21.77	21.06	23.29
1530	17.76	17.69	17.69
1600	17.75	17.69	17.69
1630	17.78	17.69	17.69
1700	20.93	21.06	23.29
1730	20.93	21.06	23.29
1800	21.77	21.06	23.26
1830	21.77	21.06	23.26
1900	21.77	21.06	23.26
1930	21.77	21.06	23.26
2000	23.20	21.06	23.26
2030	23.20	21.06	23.26
2100	28.01	27.50	29.95
2130	28.01	34.83	37.50
2200	28.01	34.83	37.49
2230	26.73	28.00	28.00
2300	23.30	22.00	23.00
2330	21.35	17.71	17.71
2400	21.29	28.00	28.00

Prices are determined for every half hour of each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £19.80/MWh becomes 1.980p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision on or before until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly due to the possibility of their revision and/or correction no reliance should be placed upon provisional pool prices [illegible]

NGC Settlements Limited 1992

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	[illegible]	[illegible]	[illegible]
0100	[illegible]	[illegible]	[illegible]
0130	[illegible]	[illegible]	[illegible]
0200	[illegible]	[illegible]	[illegible]
0230	[illegible]	[illegible]	[illegible]
0300	[illegible]	[illegible]	[illegible]
0330	[illegible]	[illegible]	[illegible]
0400	[illegible]	[illegible]	[illegible]
0430	[illegible]	[illegible]	[illegible]
0500	[illegible]	[illegible]	[illegible]
0530	[illegible]	[illegible]	[illegible]
0600	[illegible]	[illegible]	[illegible]
0630	[illegible]	[illegible]	[illegible]
0700	[illegible]	[illegible]	[illegible]
0730	[illegible]	[illegible]	[illegible]
0800	[illegible]	[illegible]	[illegible]
0830	[illegible]	[illegible]	[illegible]
0900	[illegible]	[illegible]	[illegible]
0930	[illegible]	[illegible]	[illegible]
1000	[illegible]	[illegible]	[illegible]
1030	[illegible]	[illegible]	[illegible]
1100	[illegible]	[illegible]	[illegible]
1130	[illegible]	[illegible]	[illegible]
1200	[illegible]	[illegible]	[illegible]
1230	[illegible]	[illegible]	[illegible]
1300	[illegible]	[illegible]	[illegible]
1330	[illegible]	[illegible]	[illegible]
1400	[illegible]	[illegible]	[illegible]
1430	[illegible]	[illegible]	[illegible]
1500	[illegible]	[illegible]	[illegible]
1530	[illegible]	[illegible]	[illegible]
1600	[illegible]	[illegible]	[illegible]
1630	[illegible]	[illegible]	[illegible]
1700	[illegible]	[illegible]	[illegible]
1730	[illegible]	[illegible]	[illegible]
1800	[illegible]	[illegible]	[illegible]
1830	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]
1930	[illegible]	[illegible]	[illegible]
2000	[illegible]	[illegible]	[illegible]
2030	[illegible]	[illegible]	[illegible]
2100	[illegible]	[illegible]	[illegible]
2130	[illegible]	[illegible]	[illegible]
2200	[illegible]	[illegible]	[illegible]
2230	[illegible]	[illegible]	[illegible]
2300	[illegible]	[illegible]	[illegible]
2330	[illegible]	[illegible]	[illegible]
2400	[illegible]	[illegible]	[illegible]

[illegible]

NGC Settlements Limited 1992

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	[illegible]	[illegible]	[illegible]
0100	[illegible]	[illegible]	[illegible]
0130	[illegible]	[illegible]	[illegible]
0200	[illegible]	[illegible]	[illegible]
0230	[illegible]	[illegible]	[illegible]
0300	[illegible]	[illegible]	[illegible]
0330	[illegible]	[illegible]	[illegible]
0400	[illegible]	[illegible]	[illegible]
0430	[illegible]	[illegible]	[illegible]
0500	[illegible]	[illegible]	[illegible]
0530	[illegible]	[illegible]	[illegible]
0600	[illegible]	[illegible]	[illegible]
0630	[illegible]	[illegible]	[illegible]
0700	[illegible]	[illegible]	[illegible]
0730	[illegible]	[illegible]	[illegible]
0800	[illegible]	[illegible]	[illegible]
0830	[illegible]	[illegible]	[illegible]
0900	[illegible]	[illegible]	[illegible]
0930	[illegible]	[illegible]	[illegible]
1000	[illegible]	[illegible]	[illegible]
1030	[illegible]	[illegible]	[illegible]
1100	[illegible]	[illegible]	[illegible]
1130	[illegible]	[illegible]	[illegible]
1200	[illegible]	[illegible]	[illegible]
1230	[illegible]	[illegible]	[illegible]
1300	[illegible]	[illegible]	[illegible]
1330	[illegible]	[illegible]	[illegible]
1400	[illegible]	[illegible]	[illegible]
1430	[illegible]	[illegible]	[illegible]
1500	[illegible]	[illegible]	[illegible]
1530	[illegible]	[illegible]	[illegible]
1600	[illegible]	[illegible]	[illegible]
1630	[illegible]	[illegible]	[illegible]
1700	[illegible]	[illegible]	[illegible]
1730	[illegible]	[illegible]	[illegible]
1800	[illegible]	[illegible]	[illegible]
1830	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]
1930	[illegible]	[illegible]	[illegible]
2000	[illegible]	[illegible]	[illegible]
2030	[illegible]	[illegible]	[illegible]
2100	[illegible]	[illegible]	[illegible]
2130	[illegible]	[illegible]	[illegible]
2200	[illegible]	[illegible]	[illegible]
2230	[illegible]	[illegible]	[illegible]
2300	[illegible]	[illegible]	[illegible]
2330	[illegible]	[illegible]	[illegible]
2400	[illegible]	[illegible]	[illegible]

[illegible]

NGC Settlements Limited 1992

WORLD COMMODITIES PRICES

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	342.7	339.9	344.5	344.5
Oct	343.6	340.8	345.3	341.4
Dec	345.3	342.4	346.7	342.6
Feb	347.0	344.1	348.1	344.7
Apr	348.7	345.8	350.0	348.8
Jun	350.5	347.6	0	0
Aug	352.3	349.4	0	0
Oct	354.2	351.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	360.9	358.0	362.0	358.8
Jan	357.0	354.0	357.5	355.0
Apr	357.0	354.0	358.0	358.0
Jul	358.0	355.0	358.0	358.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	373.0	367.4	375.0	368.0
Oct	373.8	368.4	0	0
Nov	374.8	0	0	0
Dec	376.7	371.3	378.5	372.5
Jan	378.0	372.6	0	0
Mar	380.5	375.1	381.5	377.0
May	383.2	377.8	384.5	381.0
Jul	385.8	380.3	386.5	382.5
Sep	388.6	383.1	386.0	386.0
Dec	393.0	387.4	395.5	392.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	109.50	109.65	110.00	109.40
Oct	110.00	110.35	110.25	110.00
Nov	110.50	110.75	0	0
Dec	110.85	111.20	111.40	110.60
Jan	110.80	111.15	110.90	110.80
Feb	110.70	111.10	0	0
Mar	110.65	111.05	110.90	110.60
Apr	109.90	110.35	0	0
May	109.75	110.25	110.50	110.00
Jun	109.10	109.65	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	21.47	21.31	21.56	21.34
Nov	21.36	21.19	21.44	21.23
Dec	21.28	21.13	21.37	21.16
Jan	21.20	21.05	21.25	21.11
Feb	21.08	20.96	21.16	21.00
Mar	21.05	20.88	21.05	20.96
Apr	21.00	20.79	20.91	20.88
May	20.85	20.70	20.85	20.79
Jun	20.76	20.61	20.78	20.70
Jul	20.62	20.53	20.62	20.62

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	60.20	59.37	60.55	59.50
Oct	60.70	59.97	61.15	60.10
Nov	61.70	60.97	62.10	61.10
Dec	62.80	62.04	63.15	62.25
Jan	63.30	62.56	63.60	62.70
Feb	62.35	61.76	62.60	62.35
Mar	60.65	59.83	60.65	60.30
Apr	58.08	58.08	0	0
May	57.25	56.83	57.50	56.90
Jun	56.03	56.03	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1057	1050	1065	1046
Dec	1092	1086	1107	1089
Mar	1140	1135	1152	1139
May	1170	1165	1173	1173
Jul	1195	1190	1193	1193
Sep	1222	1217	0	0
Dec	1265	1260	0	0
Mar	1298	1293	0	0
May	1329	1324	1330	1330

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	52.90	53.35	52.90	52.00
Dec	54.20	55.40	55.60	53.35
Mar	56.45	57.40	57.30	55.40
May	60.20	61.20	61.10	58.95
Jul	62.50	63.10	63.20	61.10
Sep	64.60	65.10	64.60	63.00
Dec	67.50	68.05	68.50	66.25

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.23	9.15	9.27	9.08
Mar	8.95	8.89	8.97	8.83
May	8.96	8.87	8.97	8.82
Jul	8.96	8.88	8.97	8.81
Oct	8.90	8.61	8.91	8.80

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	56.46	57.29	57.45	56.38
Dec	54.67	55.13	55.70	54.60
Mar	55.56	56.15	56.50	55.53
May	56.40	56.75	56.80	56.39
Jul	57.40	57.30	57.45	57.05
Oct	58.55	58.83	59.00	59.00
Dec	59.05	59.25	59.40	59.05

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	113.85	113.60	114.00	112.30
Nov	109.00	107.65	109.00	106.50
Jan	108.80	107.25	109.00	108.30
Mar	108.75	107.35	109.40	105.75
May	109.25	107.85	0	0
Jul	108.75	107.50	108.75	108.75
Sep	108.75	107.50	108.00	108.00
Nov	108.75	107.50	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	550/4	554/2	552/4	549/4
Nov	541/0	543/2	542/2	537/4
Jan	548/2	549/6	549/0	544/4
Mar	556/0	556/2	556/4	551/4
May	562/2	563/6	563/0	558/0
Jul	568/2	569/4	569/0	564/4
Aug	570/4	571/0	570/4	568/0
Sep	568/0	567/4	568/0	566/4
Nov	569/0	569/4	569/4	567/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	18.16	18.35	18.30	18.15
Oct	18.29	18.47	18.40	18.28
Dec	18.58	18.77	18.68	18.56
Jan	18.76	18.93	18.85	18.76
Mar	19.06	19.22	19.12	19.05
May	19.34	19.50	19.40	19.32
Jul	19.58	19.73	19.64	19.56
Aug	19.73	19.87	19.75	19.73
Sep	19.83	19.98	19.90	19.83
Oct	19.95	20.10	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	175.6	175.9	175.7	174.5
Oct	190.8	190.4	191.0	189.5
Dec	189.8	189.1	190.0	188.1
Jan	188.3	187.8	188.3	187.2
Mar	187.3	186.6	187.5	186.0
May	186.7	186.4	187.0	185.6
Jul	187.5	187.0	188.0	186.2
Aug	187.5	188.0	0	0
Sep	187.8	188.5	0	0
Oct	189.2	188.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	218/6	217/0	219/0	215/2
Dec	217/2	215/6	217/4	213/6
Mar	225/6	224/2	226/0	222/4
May	231/6	230/6	232/0	229/0
Jul	237/0	235/6	237/0	234/0
Sep	236/4	237/0	236/6	236/0
Dec	240/4	241/6	241/0	238/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	319/6	315/0	320/0	313/4
Dec	333/0	327/4	333/4	325/2
Mar	340/2	333/0	340/4	331/0
May	336/4	330/4	336/4	329/0
Jul	317/2	314/0	318/0	312/0
Sep	321/4	321/0	321/4	320/0
Dec	334/0	332/0	334/0	329/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	73.750	73.650	73.900	73.400
Dec	72.550	72.375	72.675	72.250
Feb	71.725	71.750	71.800	71.600
Apr	72.675	72.750	72.750	72.550
Jun	69.650	69.650	69.850	69.600
Aug	68.275	68.450	68.450	68.275
Oct	68.500	68.525	68.500	68.500

LIVE HOGS 40,000 lb, cents/lbs

	Close	Previous	High/Low	
Oct	40.050	40.125	40.100	39.700
Dec	40.600	40.725	40.650	40.300
Feb	40.250	40.600	40.450	40.000
Apr	38.600	38.650	38.850	38.550
Jun	44.350	44.450	44.475	44.300
Jul	44.400	44.450	44.400	44.300
Aug	43.250	43.300	43.400	43.200
Oct	40.300	40.350	40.450	40.300

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	39.450	39.925	39.700	38.950
Mar	39.225	39.175	39.500	38.800
May	40.600	40.500	40.650	40.000
Jul	40.400	40.550	40.800	40.300
Aug	40.125	40.000	40.250	0

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AUTHORISED UNIT TRUSTS

Mercury Fund Managers Ltd (1000)H
33 King William St, EC4R 9AS 071-280 2060

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
American	5	119.1	119.1	126.7	0.00	40918
(Accum Units)	5	127.3	127.3	135.4	0.00	40919
American Opps	5	47.21	47.74	50.93	0.00	40922
(Accum Units)	5	47.86	48.40	51.63	0.00	40923
British Blue Chip	5	57.46	57.48	61.32	4.35	40924
(Accum Units)	5	65.73	65.75	70.14	4.35	40925
Cash *	0	100.8	100.8	100.8	9.77	46004
(Accum Units) *	0	124.3	124.3	124.3	9.77	46003
European Growth	5	146.8	146.8d	155.4	0.57	40926
(Accum Units)	5	157.3	157.3d	166.5	0.57	40927
European Income	5	58.13	58.13	61.58	3.81	40928
(Accum Units)	5	72.75	72.75	77.08	3.81	40929
General	5	349.6	351.0	374.4	3.42	40932
(Accum Units)	5	649.7	652.4	659.9	3.42	40933

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
UK Smaller Co's	6	80.16	83.36	88.68	3.48	46936
UK Equity Growth	6	90.13	91.69	97.54	5.40	46934
UK Index Tracking ♦ F	6	95.01	95.63	101.73	4.90	47662
Intl Index Tracking F	6	89.06	89.83	95.56	1.55	48364
International	6	141.36	142.84	151.96	2.20	41112
European	6	112.61	113.47	120.71	1.66	41114
Pan European	6	85.39	86.41	91.93	3.66	43997
Nth American	6	111.57	112.63	119.82	2.27	41115
Nth Amer Smllr Cos	6	98.22	99.97	106.35	0.59	47663
Japanese	6	52.41	53.04	56.43	0.72	47005
Pacific	6	112.99	114.60	121.91	1.40	41113
South East Asian	6	110.12	111.83	118.97	1.56	46933
International Bond	6	99.72	99.86	106.23	6.34	46931
Gilt & Convertible	6	96.38	96.58	102.74	8.26	46930
Property F.	6	65.82	67.66	71.98	6.85	44760
Cash Deposit Accum F	0	102.61	102.61	102.61	9.12	40565

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
RAM Personal Pension						
UK Major Co's	5¼	69.97	71.13	74.87	–	46523
UK Smllr Co's	5¼	48.42	50.08	52.71	–	46525
UK Income	5¼	62.19	63.23	66.56	–	46521
America	5¼	60.56	61.16	64.37	–	46505
Japanese	5¼	34.20	34.59	36.40	–	46517
European	5¼	59.80	60.18	63.34	–	46513
Gilt	5¼	69.51	69.60	73.26	–	46515
Deposit	5¼	73.50	73.50	77.36	–	46511
Managed	5¼	70.04	71.01	74.74	–	46519
RAM FSAVC Scheme						
UK Major Co's	5¼	69.23	70.37	74.07	–	46524
UK Smaller Co's	5¼	48.06	49.72	52.33	–	46526
UK Income	5¼	61.63	62.65	65.94	–	46522
America	5¼	59.86	60.46	63.64	–	46506
Japanese	5¼	33.80	34.19	35.98	–	46518
European	5¼	59.14	59.52	62.65	–	46514
Gilt	5¼	70.43	70.52	74.22	–	46516
Deposit	5¼	71.61	71.61	75.38	–	46512
Managed	5¼	65.87	66.87	70.38	–	46520

Royal Life Fd Mgmt Ltd (1000)F
PO Box 34 Peterborough PE2 0UE Prices 0733 282828
General Enq: 0733 390000 Dealing: 0733 393000

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
United States	5	39.04	39.04	41.66	0.18	41213
Pacific Basin	5	39.19	39.19	41.87	0.00	41214
Equity Growth Acc	5	197.9	202.0	216.0	2.78	41216
High Inc Accum	5	131.5	131.5	140.6	5.43	41218
High Inc Dist	5	88.07	88.07	94.19	5.43	41219
Ryl Life Intl Ctry	5¼	47.50	47.50d	50.54	5.25	41222
Ryl Life Intl Grth	5¼	39.67	39.67d	42.34	0.08	41223
Ryl Life Intl Spec	5¼	33.81	33.81	35.96	0.00	41224
UK Emerging Cos	5¼	74.15	76.08	82.24	2.31	41225
UK Index Tracking ♦	5¼	112.6	112.6	119.9	4.97	46668
European	6	67.57	67.57	72.75	0.15	46956
Managed	6¼	86.12	87.42	94.00	0.85	44054

Royal London Unit Tst Mgrs Ltd (2200)F
Royal Ldn Hse Colchester CO1 1RA 0206 764400

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
American Growth	5¼	92.00	92.00d	97.56	0.87	41226
European Growth	5¼	66.14	66.14d	69.93	1.89	41227
Far East Growth	5¼	53.62	54.09d	57.55	1.36	45171
Japan Growth	5¼	81.91	81.91	87.13	0.00	41232
Special Sits	5¼	117.1	117.1	124.5	3.58	41233
UK Growth	5¼	50.07	50.07	53.26	3.57	41234
Triton General	5¼	137.1	138.4	147.3	2.45	41541

St James's Place UT Group Ltd (1200)F
150 St Vincent St, Glasgow G2 5NS 041-307 6500

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Far East Inc	5	86.87	87.88	92.99	0.88	47372
Far East Acc	5	86.87	87.88	92.99	0.88	47406
Gr Euro Prog Inc10-U	5	171.1	172.4	182.4	3.29	40168
Gr Euro Prog Acc10-U	5	260.4	262.3	277.6	3.29	40169
Growth Inc	5	65.43	65.43	69.24	2.92	45243
Growth Acc	5	66.10	66.10	69.95	2.92	45244
International Inc10-U	5	176.1	176.1	186.3	3.49	40170
International Acc10-U	5	241.0	241.0	255.0	3.49	40171
Nth Am & Intl Inc	5	187.3	187.3	198.2	3.21	40173
Nth Am & Intl Acc	5	225.4	225.4	238.5	3.21	40174
PEP Progressive Inc	5	130.3	131.4	139.1	6.20	47667
PEP Progressive Acc	5	141.7	143.0	151.3	6.20	47668
UK High Income Inc	5	80.92	82.64	87.45	7.41	47411
UK High Income Acc	5	82.95	84.11	89.00	7.41	47414

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point: a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth						0202 298422
Cash	1	50.70	50.70	51.20	10.00	45246
Cntrld Prfrmnce	5½	47.74	48.09	51.29	9.1	46075
Ethical	5¼	40.53	41.42	44.06	6.0	46948
European Growth	5½	44.82	44.99xd	47.98	3.3	46171
Income	5½	40.06	40.54	43.24	8.5	41394
Intl Growth	5½	59.00	59.38	63.33	3.0	41395
Managed	5½	51.02	51.68xd	55.12	4.6	41396
UK Growth	5½	41.14	41.78	44.56	6.8	41397
Standard Chartered Equitor (1200)F						
69 Old Broad Street, EC2M 1QS						071-280 6521
Mngd Exempt Acc	3	174.6	176.4	183.7	3.44	41499
Do Income	3	162.2	163.8	170.6	3.44	41321
Standard Life Tst Mgmt Ltd (0730)H						
3 George St, Edinburgh EH2 2XZ						0800 393777
Managed Acc	5¼	32.68	32.68	34.73	2.63	41398
UK Equity Gth Acc	5¼	43.94	44.80	47.61	2.11	41399
UK Eq High Inc Inc	5¼	25.53	26.13	27.77	6.27	41400
UK Eq High Inc Acc	5¼	29.26	29.94	31.82	6.27	46962
UK Equity Gen Acc	5¼	42.72	43.48	46.20	3.61	41401
UK Equity Gen Inc	5¼	33.06	33.65	35.76	3.61	41402
UK Larger Cos Acc F	7½	283.1	287.1	311.6	4.95	41403
UK Larger Cos Inc F	7½	224.5	227.7	247.1	4.95	41404
Gilt & Fxd Int Inc	5¼	28.08	28.16	29.78	7.73	41405
O'seas Larg Cos Acc F	7½	180.6	183.6	199.3	1.93	41406
Nth American Acc	5¼	30.55	30.69	32.61	1.04	41407
Far East Acc F	5¼	33.40	33.40	35.49	0.28	41408
European Acc	5¼	31.32	32.54	34.58	1.75	41409
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh						031-226 3271

Robert Fleming Asset Mgmt Ltd

Foreign & Colonial Unit Management Ltd

Funds in Court*

Albany Life Assurance Co Ltd – Contd.

Allied Dunbar Assurance Plc

Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

Century Life Plc

2 Eyre Street Hill, London EC1R 5AE 071-278 4488

Eagle Star Life Assurance Co Ltd

Bath Road, Cheltenham GL53 7LQ 0242 221 311

Hearts of Oak Insurance Group

Hearts of Oak House, 9 Princess Rd West, Leicester LE1 6TH 0533 549010

Life Association of Scotland

113 Dundas St, Edinburgh EH3 5EB 031-550 5000

NEL Britannia Assce Co Ltd – Contd.

INSURANCES

OTHER UK UNIT TRUSTS

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[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

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[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

Strains in the ERM

THE DOLLAR'S weakness will continue to preoccupy dealers this week, but the strains in the Exchange Rate Mechanism are now of the first importance in Europe, *writes James Blitz.*

At the end of last week, the instability in the ERM was acute. The D-Mark, which should ideally be at the centre of the European Monetary System's grid, was at the top, pushing several currencies towards the bottom of their bands. The Italian lira breached its ERM floor against the D-Mark several times.

There are now three possible outcomes to the crisis.

Central banks could continue to intervene to support sterling and the Italian lira. "Such intervention will buy time," says Mr Gerard Lyons, chief economist at DKB International in London, "but it will require a change in economic fundamentals to fully work.

The second possibility is that the weaker currencies raise interest rates. "This is the least desirable option and is likely to be the most counter-productive," says Mr Lyons. In Britain's case a rise in interest rates will give a better return to sterling investors, but would worsen perceptions of Britain's economic plight.

The Germans could reduce interest rates or revalue the D-Mark. Although the German economy is slowing, there is little sign that the Bundesbank will cut rates before the year's end.

A realignment still seems the best way out of the problem. The traditional obstacle here has been French intransigence because a weaker franc will upset their good record on inflation. But after last week's *debacle*, the franc is less 3 centimes off its floor against the D-Mark. Faced with the prospect of raising rates, the French may give way on realignment, after all.

UK clearing bank base lending rate
10 per cent
from May 5, 1992

£ IN NEW YORK

Aug 31	Latest	Previous Close
£ Spot	1.9885-1.9895	1.9825-1.9835
1 month	1.12-1.11pm	1.12-1.11pm
3 months	3.46-3.43pm	3.45-3.43pm
12 months	12.8-12.7pm	12.77-12.7pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug 28	Previous
8.30 am	92.1	92.3
9.00 am	92.1	92.3
10.00 am	92.1	92.2
11.00 am	92.1	92.1
Noon	92.1	92.2
1.00 pm	92.1	92.1
2.00 pm	92.1	92.1
3.00 pm	92.1	92.1
4.00 pm	92.0	92.1

CURRENCY MOVEMENTS

Aug 28	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.0	-19.9
U.S. Dollar	58.6	-20.0
Canadian Dollar	97.2	-3.5
Austrian Schilling	112.3	+13.5
Belgian Franc	114.2	-0.1
Danish Krone	112.2	+5.6
D-Mark	123.0	+28.3
Swiss Franc	111.5	+18.8
Dutch Guilder	117.7	+18.4
French Franc	106.6	-10.5
Lira	100.1	-19.3
Yen	138.2	+74.3
Peseta	107.9	-18.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Aug 27

OTHER CURRENCIES

Aug 28	£	$
Argentina	1.9605 - 1.9635	0.9900 - 0.9910
Australia	2.7585 - 2.7605	1.3910 - 1.3920
Brazil	9962.10 - 9967.55	5030.10 - 5030.30
Finland	7.6825 - 7.7060	3.8775 - 3.8805
Greece	343.950 - 349.950	174.950 - 176.250
Hong Kong	15.2995 - 15.3130	7.7280 - 7.7290
Iran	2800.80*	1430.00*
Korea(Sth)	1545.80 - 1570.70	783.70 - 789.90
Kuwait	0.57545 - 0.57620	0.29145 - 0.29175
Luxembourg	57.40 - 57.50	28.95 - 29.05

CURRENCY RATES

Aug 28	Bank rate %	Special* Drawing Rights	European† Currency Unit
Sterling	-	0.745591	0.725744
U.S. Dollar	3.00	1.47299	1.43407
Canadian $	5.50	1.75978	1.70941
Austrian Sch	7.50	14.6651	14.2719
Belgian Franc	8.50	42.9450	41.7960
Danish Krone	9.50	8.06094	7.84652
D-Mark	8.75	2.04858	2.02778
Dutch Guilder	8.50	2.34839	2.28634
French Franc	10¼	7.09539	6.90792
Italian Lira	13.75	1594.36	1549.73
Japanese Yen	3.25	184.566	178.972

FINANCIAL TIMES STOCK INDICES

	Aug 28	Aug 27	Aug 26	Aug 25	Aug 24	Aug 21	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs.	87.04	87.29	87.25	87.56	87.90	88.43	89.75	85.11	127.4	49.18
Fixed Interest	103.19	103.26	103.34	103.82	104.51	105.15	106.35	97.15	106.35	50.53
Ordinary	1680.6	1688.6	1676.2	1681.0	1713.7	1755.4	2149.7	1676.2	2149.7	49.4
Gold Mines	79.4	79.3	78.7	80.3	82.4	82.5	160.6	78.7	734.7	43.5
FT Act All-Share	1096.99	1097.40	1087.44	1086.13	1098.98	1123.24	1326.36	987.46	1326.36	61.92
FT-SE 100	2312.6	2311.6	2285.0	2281.0	2311.1	2365.7	2737.8	2281.0	2737.8	986.9
FT-SE Eurotrack 100	1013.54	1017.14	997.98	993.01	1010.52	1039.54	1199.58	993.01	1199.58	900.45
FT-SE Eurotrack 200	1053.68	1056.13	1037.41	1029.56	1050.49	1077.66	1248.79	1029.56	1248.79	938.62

LONDON SHARE SERVICE

BRITISH FUNDS

Five to Fifteen Years

	Price £	Wk % change	Amnt £m	Interest due		Last xd	City line
Treas 8¾pc 1997‡‡	95	-1.5	4,680	Mr1	Se1	27.7	1341
Exch 15pc 1997	118	-1.4	838	Ap27	Oc27	23.3	1269
9¾pc 1998	99	-1.7	3,268	Jy19	Ja19	12.6	1273
Treas 6¾pc 1995-98‡‡	89¼	-2.0	1,100	Nv1	My1	25.3	1331
15½pc '98‡‡	123 xd	-1.9	935	Mr30	Se30	24.8	1308
Exch 12pc 1998	108⅞	-2.0	3,899	My20	Nv20	13.4	1259
Treas 9½pc 1999‡‡	99	-2.1	1,900	Jy15	Ja15	8.6	1347
Exch 12¼pc 1999	110 xd	-2.2	3,058	Se26	Mr26	28.8	1264

Undated

	Price £	Wk % change	Amnt £m
Consols 4pc	42	-2.3	359
War Loan 3½pc‡‡	37	-2.5	1,909
Conv 3½pc '61 Aft	60¾ xd	-2.1	127
Treas 3pc '66 Aft	31⅛	-2.2	56
Consols 2½pc	28	-2.3	276
Treas 2½pc	28 xd	-1.8	475

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
104	-	-	-	-	-	-
105	1.41	2.02	-	1.39	1.50	-
106	0.94	-	-	1.89	-	-
107	0.60	-	-	2.53	-	-
108	-	-	-	-	-	-
Open Int	266,110	48,630	-	140,193	32,815	-

Estimated volume 23,952 † Total Open Interest 486,748

All Yield & Open Interest figures are for the previous day

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Wimbledon & South West Finance PLC
114 Newgate St, London EC1 7AE 071-606 9465
High Int Cheque Acc 8.50 6.38 8.77 -

NOTES – Gross: Contractual rate of interest payable not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. Compounded Annual Rate. Int Cr: Frequency at which interest is credited to the account.

BASE LENDING RATES

AMERICANS

	Notes	Price £	Wk% change	Div gross	Dividends paid	Last xd	City line
Abbott Labs	h	15⅝xd	-8	60c	FeMyAuNv	18.7	1503
♥Allegheny & W		296p	-6.5	30c	–	–	–
Amdahl		688p	7.6	10c	NvMrJeAu	31.1	–
Amer Cyanamid		30	-2.4	$1.65	MrJeSeDe	4.3	–
Amer Express		18⅝xd	-4.5	$1.00	FeMyAuNv	28.6	1504
Amer T & T		21¼xd	-4.5	$1.32	FeMyAuNv	27.3	1597
Ameritech		34⅝	-3.8	$3.52	FeMyAuNv	28.3	–
BankAmerica		22⅛xd	-1.4	$1.30	FeJeSeDe	19.8	1744
Bankers NY		30⅝xd	-3.9	$2.54	ApJyOcJa	27.12	1745
Bell Atlantic		24⅝	-3.0	$2.60	FeMyAuNv	4.7	–
BellSouth		27⅛	-4.4	$2.76	FeMyAuNv	5.4	–
♥Bethlehem Steel		8xd	-4.0	–	MrJeSeDe	6.2	1821
Bowater		953pxd	-4.7	$1.20	OcJaApJy	9.3	1884
CPC	h	24⅞xd	-5.1	$1.28	JaApJyOc	25.6	2263
♥Cadiz Land Inc		128p	–	–	–	–	–
Campbell Soup		18⅞xd	-6.6	78c	OcJaApAu	2.7	2050
Chase Manhattan		11⅝xd	-6.1	$1.20	FeMyAuNv	24.7	2109
Chrysler		9⅞xd	-8.1	60c	ApJyOcDe	17.6	2135
Citicorp		8⅝xd	-2.8	–	–	23.10	2141
Colgate-Palm		27⅝xd	-3.5	$1.24	FeMyAuNv	22.7	2184
Cont'l Bank		884p	-1.5	80c	DeMrJeSe	31.5	–
Dana		18¾xd	-3.8	$1.60	MrJeSeDe	27.8	2306
Data General		397p	-2.2	–	–	–	–
Dun & Brad		28¾	-7.3	$2.28	MrJeSeDe	13.2	–
Eaton		37⅝	-7.1	$2.20	FeMyAuNv	2.2	2410
Echlin		9⅛xd	-2.0	70c	JaApJyOc	30.6	3046
FPL		18½xd	-5.7	$2.44	MrJeSeDe	25.8	–
Fluor		20½	-4.1	40c	JaApJyOc	18.6	2609
Ford Motor		20⅝xd	-4.7	$1.60	MrJeSeDe	28.7	2615
Gen Elect		37½xd	-4.6	$2.36	JaApJyOc	3.8	2675
♥General Host		479p	3.0	34c	–	13.12	–
Gillette		27⅛xd	-3.1	72c	MrJeSeDe	28.7	2695
Hasbro		15¼	-3.9	20c	JaApJyNv	1.8	–
Honeywell		33¼xd	1.9	$1.85	MrJeSeDe	25.8	2919
Houston Inds		22¼	-3.3	$3.00	MrJeSeDe	10.11	–
IBM		44xd	-8	$4.84	MrJeSeDe	7.8	2986
Ingersoll-Rand		13xd	-3.7	78c	MrJeSeDe	17.8	2979
Lockheed		23⅝	-4.5	$2.12	MrJeSeDe	15.2	–
Lowe's	h	921p	-5.4	28c	JaApJyOc	11.7	–
Merrill Lynch		25xd	-3.8	$1.28	FeMyAuNv	30.4	3351
Morgan (JP)		30⅛	-2.8	$2.18	JaApJyOc	17.6	3418
Morris (Philip)		40⅝xd	-1.2	$1.72	JaApJyOc	18.8	5161
NYNEX		42½	-2.6	$4.64	FeMyAuNv	27.6	4740
Pall		13⅛	-2.8	36c	FeMyAuNv	24.1	–
Pennzoil		26⅛xd	-4.6	$3.00	MrJeSeDe	28.8	3630
Quaker Oats		38¼xd	-2.0	$1.72	JyOcJaAp	23.6	3738
Rockwell		12⅞xd	-2.8	92c	MrJeSeDe	12.8	3947
Rep NY		21xd	-7.2	$1.08	JaApJySe	10.8	3814
Sears, Roebuck		20⅞xd	-3.7	$2.00	JaApJyOc	28.8	5191
Sthwestern Bell		34	-3.9	$2.82	MyAuNvFe	4.7	–
Sun Co		12⅝xd	-2.2	$1.80	MrJeSeDe	5.8	4135
Tenneco		19⅛xd	-5.1	$1.60	MrJeSeDe	11.8	–
Texaco		32⅛xd	-3.2	$3.20	MrJeSeDe	30.7	4200
Time Warner		52⅞xd	-2.8	$1.00	MrJeSeDe	19.8	4234
♥Unilab		337p	–	–	–	–	–
♣URS Intl 1c		8⅛p	–	–	–	–	4364
US West		16⅛	-4.4	$2.12	FeMyAuNv	14.4	–
Varity		965p	-2.2	–	–	11.77	–
Waste Manage		16½xd	-3.8	52c	ApJyOcJa	12.8	4439
Whirlpool		1768pxd	-10.3	$1.10	MrJeSeDe	4.3	–
♥Woolworth		15⅛	-3.2	$1.12	MrJeSeDe	28.1	4540

CANADIANS

	Notes	Price £	Wk% change	Div gross	Dividends paid	Last xd	City line
♥Abbot Energy		1¼p	–	–	–	–	–
Amer Barrick		1487p	4.4	10c	Jun Dec	–	–
Bk Montreal		19⅛	-4.3	$2.12	FeMyAuNv	2.8	1029
Bk Nova Scot		982p	-0.5	$1.04	JaApJeOc	30.6	1017
♥BC Gas		633p	1.8	80c	FeMyAuNv	30.12	–
BCE		19½	-2.5	$2.60	ApJyOcJa	12.6	–
♥Brascan		754p	-2.6	$1.04	JaApJyOc	28.10	–
♥Breakwater		17p	-12.8	10c	–	–	–
Can Imp Bk		1295p	-2.2	$1.32	FeApAuNv	28.6	1037
Can Pacific		787p	-2.5	32c	JaApJyOc	28.12	–
4pc Deb		36½	–	Q4%	Jan Jul	22.5	–
♥Dertan		221p	-2.6	28c	MrJeSeDe	3.6	–
♥Echo Bay		306p	-2.2	8.8c	Jun Dec	–	1070
♥ECO		11p	-18.5	–	–	–	–
♥Gulf Can		209pxd	-1.4	–	–	4.3	–
♥Hawker Sid		18⅛	-4.7	$1.88	ApJyOcJa	15.11	–
♥Hudson's Bay		1129p	-1.1	88c	MrJeSeDe	2.10	–
♥Imperial Oil		19⅛xd	-3.1	$1.49	MrJeSeDe	4.3	–
Inco		13¼xd	-4.3	$1.19	JaApJeOc	4.3	–
♥Int Corona		386p	-2.5	18c	May	5.89	–
♥Muscocho		2p	–	–	–	–	–
♥N A Tire Recycling		48p	–	–	–	–	–
Nova Corp Alberta		352pxd	-5.9	20c	FeMyAuNv	28.7	4215
♥Rio Algom		723p	-3	80c	Jun Dec	16.4	–
Royal Bk Can		1058p	-4.5	$1.16	MrJeSeDe	18.7	1180
♥TVX Gold		131p	6.5	–	–	–	–
Toronto-Dom		786p	-5.1	84c	FeMyAuNv	20.3	1207
♥Trans Can Pipe		775p	-2.6	78c	JaApJyOc	1.12	–

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed, dealings permitted under rule 535(4)(a)
- ✢ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed, dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ✦ Unregulated collective investment scheme

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis. F Dividend based on prospectus or other official estimates for 1990-91. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1991. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1991-92. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service.

Additions. Taunton Cider (Brewers & Distillers) and Monarch Resources Non/Ist. Cv 1993 (Mines).

Deletions: Midland Bank (Banks); Plasticisol (Building Materials). North Midland Construction (Contracting & Construction); Mrs Fields (Food Manufacturing); JS Pathology (Health & Household). Colorgraphics (Media) and UK Land (Property).

2 pm August 31

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11⅞	AAR Corp	0.48	4.0	19	35	12⅛	12	12⅛	-⅛
26	18	A L Labs A	0.18	0.8	77	108	22	21⅝	21⅝	-⅛
68¾	52⅞	AMP Inc	1.62	2.8	21	754	54⅞	54⅝	54⅝	
80¼	56	AMR				203776	56⅛	55¼	56⅞	+⅝
2⅛	1⅛	ARX			18	z100	1⅝	1⅝	1⅝	
53½	35⅛	ASA	2.00	5.4	24	384	37½	36⅝	37	+¼
34¾	26⅛	Abbott Lab	0.60	2.0	22	2327	30⅞	30⅜	30¾	
13⅞	11⅞	Abitibi Pr	0.50	4.2	6	12	12	d11⅞	12	+⅛
11⅝	10⅛	ACM Gvt In	1.08	9.6		164	11¼	11⅛	11¼	
10⅜	9⅛	ACM GvOpp	0.82	8.3		31	9⅞	9⅞	9⅞	+⅛
9½	8½	ACM Gvt Sp x	0.80	8.6		140	9⅜	9¼	9¼	+0.81
11¼	10⅛	ACM Gvt Sp x	1.08	9.6		249	11⅛	11	11	
10⅜	8⅝	ACM Man	0.98	9.7		111	u10¼	10⅛	10⅛	
12⅞	10½	ACM Managd	0.98	9.3		137	10¾	10⅝	10⅝	-⅛
11¼	4¼	Acme Cleve	0.40	5.9	13	44	6⅞	6¾	6¾	-⅛
6¼	4⅛	Acme Elect			37	28	5	4⅞	4⅞	-⅛
33¼	17¼	Acuson			11	119	17⅞	17⅞	17⅞	
19½	18⅛	Adams Expr	0.48	2.5	0	28	19⅛	19	19	
49⅛	29½	Ad Micro x	3.00	8.3		63	36⅛	36	36¼	+⅛
21½	7½	Ad Micro P	3.00	30.0		39418	10⅛	9⅝	10	+½
9⅛	4⅞	Advest Grp	0.16	3.2	62	8	5	5	5	
38⅝	33	Aegon ADR	1.68	4.3	7	9	u39	38⅝	39	+⅜
47	38⅛	Aetna Li	2.76	7.2	9	913	39	38½	38½	-⅜
12⅞	8⅞	Afil A	0.24	2.1	13	101	11¼	11⅛	11¼	+⅛
34	24	Aflac	0.44	1.4	15	782	32⅝	31⅝	32½	+1
19⅞	15¼	Ahmanson	0.88	5.6	7	441	16	15⅝	15⅞	-⅛
22½	5⅝	Aileen Inc			10	131	6⅞	6	6¼	+¼
49½	36½	Air Pr Chm	0.86	2.0	18	364	42¾	42¼	42¼	-⅛

Continued on next page

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous page

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2 pm August 31

NASDAQ NATIONAL MARKET

2 pm August 31

WORLD TEXTILES

The FT proposes to publish this survey on **November 12 1992.**
Textiles are one of the most heavily traded goods in the world. To discover what the FT is planning for this survey and how to reach our international audience of decision makers, financiers and government administrators contact:

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FT SURVEYS

THE FT INTERVIEW

Banker from the Old School

Peter Ellwood, chief executive of TSB, speaks to **David Barchard**

'Income is going to be hard to come by'

At exactly 4pm last Monday Mr Peter Ellwood became the chief executive of TSB, the bank that has recently been saying "ouch". He takes over a bank that has been reshaped and remoulded countless times since it came to the stock market in September 1986.

From 1989, he presided over TSB's retail banking operations and so has not been implicated in the succession of accidents to befall TSB. These include the purchase of Target in 1987, an insurance company which had to be sold off three years later at an £80m loss because it duplicated TSB's own successful insurance operations, and Mortgage Express, which had to be closed down because of heavy losses on its mortgage book.

Perhaps the most ill-fated deal of all was the acquisition of Hill Samuel, a City merchant bank, for £777m in 1987. It was made into TSB's corporate lending arm. Last year Hill Samuel was forced to make a bad debt charge of £436m after many of its loans made between 1988 and 1990 went sour. In doing so, it plunged the entire TSB group into a £47m loss for 1991.

"Sure the £777m purchase price of Hill Samuel and the history of Target are well documented. But people who say the story of the TSB is one long succession of disasters should look at the massive strengths of this organisation and not be wholly preoccupied with the problems of the past," Mr Ellwood says. "If you look at the total TSB group, the vast majority consists of the retail banking and insurance businesses which are among the most successful operations of their kind in Europe."

After such costly misadventures, he believes that TSB's prospects depend entirely on the success of retail banking core activities.

"Your strategy has got to start by accepting that there are too many players in our market and only a relatively small number of them will survive. The ones that will survive will be those that have a preoccupation with the customer and that means giving value for money," he says.

For Mr Ellwood, creating a lasting bond between customers and their banks is the only way to ensure survival in the 1990s. "It is still a fact that more people get divorced than change their bank account," he says. "We want to keep it that way." As a result, he puts a premium on pleasing the customer and earning their loyalty.

Instead of seeing his new appointment as a poisoned chalice, Mr Ellwood regards it as an opportunity to show that TSB can outshine the pack.

"We could have a strategy that said why don't we milk the customer [with low savings rates] and hope that nobody notices. I think that is outrageous and not sustainable." So under Mr Ellwood the TSB has embarked on a policy of upgrading its savings products.

This policy is the result of the deregulation of Britain's financial markets since the 1980s; a process which increased competition and prompted banks to become more responsive to customer needs. Mr Ellwood, whose career has been the model of an old-fashioned clearing banker, contrasts this with his own early experiences in the industry in the 1960s when customers did not count for much.

"Frankly it was dead easy for banks to make money when I joined my first bank as a cashier in the early 1960s", a time when the industry, with just four clearing banks, was heavily regulated.

At the same time, Mr Ellwood recognises that the traditional lending business of the banks is shrinking. Amid the uncertainties of Britain's worst recession in 50 years, with low inflation and high real interest rates, customers are naturally reluctant to borrow. TSB's lending, like that of all the other high street banks, has fallen sharply. In its most recent half-year results the loan book of £17.6bn was down by 6 per cent on the previous year.

"We became a consumer-hungry society in the UK in the 1980s. People did borrow too much and I accept that they were encouraged to borrow. Now people feel a lot more wary about getting themselves into too much debt and it is not in any bank's interest to see overleveraged customers".

The jovial Mr Ellwood concedes that he is himself a mild casualty of the fallout from the 1980s housing boom.

"I can remember how I felt when buying my house in 1988 and then seeing its price go down." After the unprecedented peak in houses prices in the late-1980, he believes that house prices have returned to levels more in line with the long-term trend of the past 30-40 years.

When Mr Ellwood arrived at TSB in 1989 – after more than 28 years at Barclays where he rose to be chief executive of Barclaycard – the group had six different mortgage lending arms and loans were the name of the game.

In today's market, he believes that the battle between banks is for products such as high-quality savings accounts and pensions rather than loans. At the same time, the shakeout in the financial services industry is forcing banks to cut their costs on an unprecedented scale: among the clearing banks, some 20,000 jobs have been shed since 1989, and there's no let-up.

"Income is going to be hard to come by so our cost base has got to come down," he says.

The TSB's response to recession has been two-fold: cutting jobs and improving the quality of services. "Over the past three years we have reduced the head count by 5,000 to 25,000. I suspect that is bigger in percentage terms than for any other financial institution in this country," he says. More cuts are likely.

The second prong of attack on costs has been its "quality improvement programme", launched 18 months ago and designed to ensure that branch staff make fewer of the mistakes that irritate customers, such as erroneously processed loan applications.

"The quality process means that branch staff stop doing things twice or three or four times and get things right first time," he says. In north America, he adds, banking quality improvement programmes have been able to reduce sharply operating costs by ensuring each task – such as sending out correct account details – is not unnecessarily repeated.

One snag in Mr Ellwood's strategy of wooing customers with higher interest rate products, is that interest costs to the bank rise. The long-term gains come only over a much longer period from selling a range of financial services.

This, he says, explains why profits at TSB's group operations remained flat in the first half of this year, with operating income rising by only 0.3 per cent. At Barclays, by contrast, operating income from UK banking rose by an impressive 22 per cent even though much of it was wiped out by bad debt. The good news though for TSB is that the number of its customers, Mr Ellwood says, is growing faster than at any time since the 1986 flotation.

He cites such factors to support his view that TSB group can hold its own against its rivals even though with total assets of £25.6bn it is only half the size of Lloyds and less than a quarter of Barclays or National Westminster.

Sceptics believe that the relatively small high street banks are going to find the struggle increasingly difficult because they do not enjoy the economies of scale of the industry's giants.

But Mr Ellwood insists, not entirely convincingly, that the contest is not as unequal as it looks. "There is no really strong evidence, for example, looking at technology costs that the top two banks can really provide money transmission services more cheaply than we do," he says.

Nor is he very concerned that the arrival of the single market next year means that TSB needs a foothold in other EC countries. "Mass retail banking in Europe is nowhere near the top of my agenda," he says, an acknowledgement perhaps that TSB group is in no position to make such a move.

Instead, the danger may be that the recession will leave British banks, including TSB, weak and vulnerable to foreign takeovers. "I think the vast majority of plcs in the UK feel vulnerable. Sure there are risks... The answer is to run your own business damned well."

PERSONAL FILE

- **1944** Born in Manchester. Educated King's School Macclesfield.
- **1962** Leaves school at 18; joins Barclays Bank as cashier
- **1985** Becomes chief executive of Barclays Bank Central Retail Services Division (Barclaycard).
- **1989** Joins TSB as first head of its retail banking services division.
- **1992** Appointed chief executive of TSB Group in succession to Don McCrickard.

Keynes v classics at Jackson Hole

MICHAEL PROWSE on America

Waking up cold this weekend, I was momentarily disoriented. Then I remembered. I was attending the Federal Reserve Bank of Kansas City's annual economics symposium: I had traded the muggy summer heat of Washington for the crisp mountain air of Jackson Hole, Wyoming.

I won't pretend the intellectual peaks scaled at the conference matched the grandeur of the Grand Teton mountain range, but there were some telling insights. The challenge this year was to explain why growth had slowed in all industrial countries and to propose cures. Rightly, the focus was on the secular slowdown in growth since the early 1970s, rather than recent recessionary forces. In the US, for example, the recession has reduced per capita consumption by less than 2.5 per cent whereas slower productivity growth since 1973 has cut consumption by about 30 per cent.

On policy, the conference broke into two factions, which might be dubbed "Cambridge v the classics" or "Clinton v Bush". I am referring, of course, to Cambridge, Massachusetts – the home of Harvard and the MIT – rather than Cambridge, England, which was not represented. The Cambridge contingent argued forcefully for investment incentives to spur growth. Lawrence Summers (temporarily on leave at the World Bank) and Bradford De Long, a Harvard colleague, claimed that investment in equipment and machinery offered returns to society as a whole that far exceeded the private return of 10 per cent or so typically earned by individual companies. The reason was that such investment had big "spill over" effects – actions by one company would help diffuse new technologies raising returns throughout industry. There was thus a case for public subsidies such as the permanent investment tax credit advocated by Mr Bill Clinton, the Democratic presidential candidate.

Other Cambridge economists advanced parallel arguments for increased investment in "human capital" (education and training), which is another plank of the Clinton economic plan. The relative merits of investment in equipment, infrastructure and human capital were left unclear. In conversation Mr De Long said the social returns to equipment investment could be 30-40 per cent a year or even higher, making this appear by far the best bet. Mr Summers, however, later scaled this back to 25-30 per cent, arguing that he didn't want to be caricatured as "Mr Equipment".

Many of the more conservative participants at the conference found the Cambridge arguments hard to swallow. Mr Kumiharu Shigehara, the OECD chief economist, said reduced investment spending didn't explain the growth slowdown since the early 1970s. The fundamental causes of slower growth included high and variable inflation and growing "structural rigidities". Repeating the favourite mantra of his predecessor, Mr David Henderson, he said the cure lay in ancient verities, such as moves toward price stability, the liberalisation of markets and the removal of distortions such as trade barriers.

Other conservatives claimed the growth slowdown was illusory: on a long historical perspective the capitalist system was performing about as well as could be expected. Per capita growth in the industrialised countries of 1.9 per cent a year since 1973 looked poor set against the 3.5 per cent growth between 1950 and 1973, but compared well with most other periods. Growth, for example, averaged only 1.6 per cent a year between 1900 and 1913, which is not a period generally considered depressed. The exceptional growth after the Second World War was powered by special factors such as the rebuilding of Europe and Japan, the reversal of protectionism in the inter-war years and unsustainable growth of government spending.

Mr Michael Darby, a former Bush administration economist, took a different and equally sceptical line. Growth hadn't slowed in the past two decades, it was just being mismeasured. The main reason was the shift from goods production to services, where productivity was poorly measured and often assumed by definition to be zero. He overstated his case but a related puzzle suggests the statistics may be faulty. The productivity growth slowdown has been accompanied by a big increase in wage inequality which is normally attributed to technical change, such as the rise of information technologies. But new technologies are usually associated with faster rather than slower growth. The circle could be partially squared if much of the service sector and high-tech output associated with new technologies were being systematically understated.

The conservatives made some good arguments at Jackson Hole. But I felt the momentum was with the Cambridge neo-Keynesians, who cared less about history and more about improving the future. It is clear that economic battle lines are now being redrawn. Conservatives have had great success arguing against activist counter-cyclical policies.

But new theories of economic growth, emphasising the importance of human capital and the divergence of private and social returns on many forms of investment, have opened a new realm for government intervention. Activist governments, it will be increasingly argued, may not be able to prevent periodic recessions, but they can do much to transform long-run growth prospects.

JOTTER PAD

LEGAL NOTICES

IN THE MATTER OF DENIS HIRE CARS (MAIDSTONE) LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter S Dunn FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis, 7 Kenrick Place, London W1H 3FF, was appointed Liquidator of the above Company by the Creditors on 25th August 1992.

Dated this 25th August 1992

Peter S Dunn FCA, Liquidator

NOTICE TO CREDITORS TO SUBMIT CLAIM IN THE MATTER OF DENIS HIRE CARS (MAIDSTONE) LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

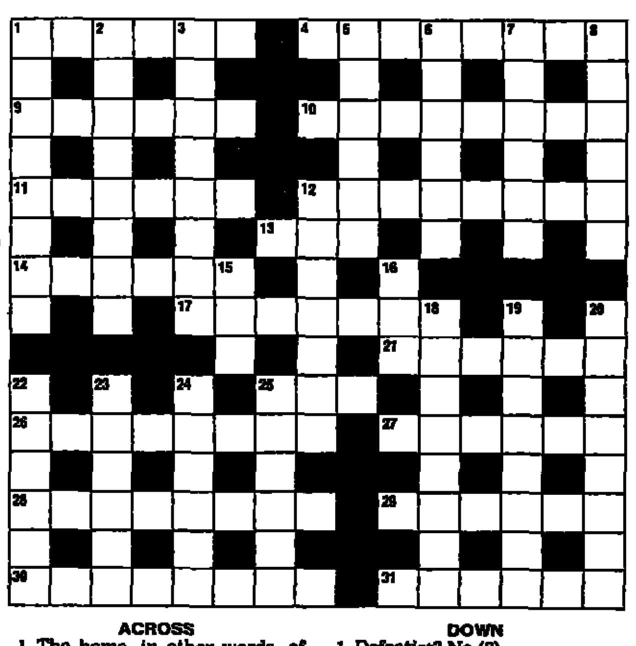
NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company, which is being voluntarily wound up, are required, on or before 14th October 1992, to send in their full forenames and surnames, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their Solicitors (if any), to the undersigned Peter S. Dunn FCA of Latham Crossley & Davis, 7 Kenrick Place, London W1H 3FF the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated 25th August 1992

Peter S. Dunn FCA, Liquidator

CROSSWORD

No.7,939 Set by ALAUN



ACROSS

1 The home, in other words, of an ancient Greek (6)
4 Suitable for the theatre (8)
9 Crawl from the wood to the lake (6)
10 Only the strand and shore (8)
11 Bent on getting a number into the shelter (6)
12 Cars travelling by the hundred to the city? Hardly! (8)
13 The note is legal tender, some say (3)
14 Bestowed upon when dressed (6)
17 They got us up early (7)
21 What the smart doctor eats? (6)
25 Near to finding something stolen (3)
26 Getting out of home work (8)
27 It indicates intense rivalry (6)
28 Hear ing test (8)
29 Without a sign to show she's ill-tempered (6)
30 Get about in an enviable job (8)
31 Collapsed as one joined the parade (4,2)

DOWN

1 Defeatist? No (8)
2 An immaculate touchdown (8)
3 One plant alone has turned an unusual red (8)
5 Belt around a thick waist (6)
6 Come back with the vessel (6)
7 Made tea for the kids, say (6)
8 Tries to provide reading material (6)
12 A little broth will do (7)
15 I won't have it! (3)
16 Injured when he'd grasped the weapon (3)
18 Prior for quite a while (8)
19 Having the gale die down is a bit of luck (8)
20 It helps if the pump's a bit stiff (8)
22 Gives back the material edited, say (6)
23 Asked to make an offer for the home (6)
24 Not active interference (6)
25 Keep your promise, ringing on time (6)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday September 12.

Troubled city loses its head

Letter from ROSTOCK

Driving northwards to the Baltic city of Rostock, past the placid lakes of the east German coastal countryside, hate and violence seem far away. Even Rostock's city centre, with its tall buildings rising like a red brick cliff along the main street, suggests stability rather than anger, order rather than turmoil.

But a few miles from the city in the soulless housing estate of Lichtenhagen, the scars of violence are all too visible. It was here, in sight of the shipyard cranes which testify to the city's former maritime glory and present anxiety, that right-wing extremists threw Molotov cocktails at the building where 20,000 asylum-seekers were housed, prompting widespread condemnation and reawakening ugly memories.

It will take a long time for Rostock and its 240,000 inhabitants to live down the ugly events of the past week. "I'm sad Rostock has got into the press this way," says a 68-year old pensioner. "The city where I was born has come into discredit. It's not true that only fascists live here; they are only the minority."

Locals say the vicious rioting which broke out against foreign asylum seekers was the culmination of months of frustration at the inability of local, state, and federal politicians to deal with the problems arising from Germany's generous open-house asylum policy.

Even many who condemn the violence, and blame the police for not reacting fast enough, admit that the people of Lichtenhagen – who face immense social and economic changes following unification – were put under extreme pressure. Families of Sinti and Roma gypsies from Romania had occupied a prominent area outside the main shops, pestering passers-by, begging, and allegedly stealing from shop counters. "Politicians had allowed things to drag on. People here felt molested," says Steffen Garschke, who runs a shoe repair shop overlooking the scene.

The violence perpetrated by right-wing thugs, local youths and extremists from other German towns, erupted during a peaceful demonstration called to draw attention to the problem. It escalated after police failed to stop the first wave of attacks and ended with Vietnamese refugees (against whom there is no real local resentment) being evacuated from a block where they had also come under attack.

The roots of this brutality can be traced to the Nazi era, but more recently to the former East German regime and the way it cut off most contact with the outside world. In the past three years, the joy of unification has been replaced by disappointment as the economic gulf between east and west Germany closes only with painful slowness.

"A lot of people don't have jobs here," says Jürgen Winter, 46, a soldier who does not know whether the German army will still have a place for him next year. "Only one out of four youngsters can get an apprenticeship. The tendency to violence among 14-year-olds is frightening."

Defenceless foreigners are clearly an easy target, especially in the knowledge that most asylum-seekers are not political but economic refugees. To many in the east, frightened about their own future, foreigners are a scapegoat upon whom most of their ills can be ignorantly blamed.

Politicians may have seen this, but action has been slow and calls to alter the constitution to stem the inflow and speed up the asylum process have yet to bring results. In their confusion and mistrust, many in Lichtenhagen applauded and egged on those attacking the asylum hostel.

It will take a long time for Rostock and its 240,000 inhabitants to live down the ugly events of the past week

It is this partial complicity in the baiting and attacking of foreigners that the people of Lichtenhagen will find hard to live down. They have had one taste of retribution with the huge left-wing demonstration that swamped the suburb on Saturday. Those watching from balconies were subjected to shouts of "Nazis out".

More than 3,000 police in full riot gear were on hand. The demonstration drew more than 10,000 people. Although it was fairly peaceful, with none of the feared clashes between right- and left-wing extremists, there was an air of underlying menace.

With its traditional strength in shipbuilding, one of the most international of industries, Rostock has certainly not been xenophobic in the past. Even under the communist regime, Cubans and Angolans were employed in industry.

At the Warnow yard, north of Lichtenhagen, the giant cranes are a symbol of past strength, present doubts, and hopes for the future. Now, 3,100 people work where 6,000 were once employed. "The uncertainty over the future is dreadful," says Holger Haefke, yard spokesman.

If Kvaerner, the Norwegian shipping company, does buy the Warnow yard as it has stated, and as many locals hope, the yard's workers will have an assured future, with DM500m of promised investment. There is work until the end of next year, but the presence of four cargo ships – built for the Russians who now cannot afford them – shows how markets have collapsed.

Much of east Germany lived off Soviet contracts. Their disappearance is one reason why Rostock lacks confidence in its future. This helps explain – though by no means excuse – the roots of the violence. "Frustration gradually came to the boil," Mr Haefke says. "But it got to a level which can only be condemned." Unfortunately for Rostock, that condemnation has now assumed worldwide dimensions.

Andrew Fisher